

CERTIFICATE OF NEED APPLICATION

CRYSTAL OAKS

Add 32 SNF Beds

Project #4426 NS

Submitted to

Missouri Health Facilities Review Committee



Certificate of Need Program

NEW OR ADDITIONAL LONG TERM CARE BED APPLICATION*

Applicant's Completeness Checklist and Table of Contents

Project Name Crystal Oaks

No. 4426 NS

Project Description 32 SNF Bed Addition

Done Page N/A Description of CON Rulebook Contents

Divider I. Application Summary:

- ☒ 2 ☐ 1. Applicant Identification and Certification (Form MO 580-1861).
☒ 3-4 ☐ 2. Representative Registration (Form MO 580-1869).
☒ 5-6 ☐ 3. Proposed Project Budget (Form MO 580-1863) and detail sheet.

Divider II. Proposal Description:

- ☒ 7 ☐ 1. Provide a complete detailed project description.
☒ 10 ☐ 2. Provide a legible city or county map showing the exact location of the proposed facility.
☒ 8, 11-12 ☐ 3. Provide a site plan for the proposed project.
☒ 8, 11-13 ☐ 4. Provide preliminary schematic drawings for the proposed project.
☒ 8, 21 ☐ 5. Provide evidence that architectural plans have been submitted to the DHSS.
☒ 8 ☐ 6. Provide the proposed gross square footage.
☒ 22-44 ☐ 7. Document ownership of the project site, or provide an option to purchase.
☒ 8 ☐ 8. Define the community to be served.
☒ 45-50 ☐ 9. Provide 2013 population projections for the 15-mile radius service area.
☒ 8, 9 ☐ 10. Identify specific community problems or unmet needs the proposal would address.
☒ 9 ☐ 11. Provide historical utilization for each of the past three years and utilization projections through the first three years of operation of the new LTC beds.
☒ 9 ☐ 12. Provide the methods and assumptions used to project utilization.
☒ 9, 51 ☐ 13. Document that consumer needs and preferences have been included in planning this project and describe how consumers had an opportunity to provide input.
☒ 9, 52-56 ☐ 14. Provide copies of any petitions, letters of support or opposition received.

Divider III. Service Specific Criteria and Standards:

- ☒ 67 ☐ 1. For ICF/SNF beds, address the population-based bed need methodology of fifty-three (53) beds per one thousand (1,000) population age sixty-five (65) and older.
☐ — ☒ 2. For RCF/ALF beds, address the population-based bed need methodology of sixteen (16) beds per one thousand (1,000) population age sixty-five (65) and older.
☐ — ☒ 3. Document any alternate need methodology used to determine the need for additional beds such as LTCH, Alzheimer's, mental health or other specialty beds.
☐ — ☒ 4. For any proposed facility which is designed and operated exclusively for persons with acquired human immunodeficiency syndrome (AIDS) provide information to justify the need for the type of beds being proposed.

Divider IV. Financial Feasibility Review Criteria & Standards:

- ☒ 68 ☐ 1. Document that the proposed costs per square foot are reasonable when compared to the latest "RS Means Construction Cost data".
☒ 62, 69 ☐ 2. Document that sufficient financing is available by providing a letter from a financial institution or an auditors statement indicating that sufficient funds are available.
☒ 68, 70 ☐ 3. Provide Service-Specific Revenues and Expenses (Form MO 580-1865) projected through three (3) years beyond project completion.
☒ 68 ☐ 4. Document how patient charges were derived.
☒ 68 ☐ 5. Document responsiveness to the needs of the medically indigent.

* Use for RCF/ALF, ICF/SNF and LTCH beds

DIVIDER I: Application Summary

1. **Applicant Identification and Certification (Form MO 580-1861)**

Attached.

2. **Representative Registration (Form MO 580-1869)**

Attached.

3. **Proposed Project Budget (Form MO 580-1863) and detail sheet.**

Attached.



Certificate of Need Program

APPLICANT IDENTIFICATION AND CERTIFICATION

(must match the **Letter of Intent** for this project, without exception)

1. Project Location (attach additional pages as necessary to identify multiple project sites.)

Title of Proposed Project

Crystal Oaks 32 SNF Bed Addition

Project Number

4426 NS

Project Address (Street/City/State/Zip Code)

1500 Calvary Church Road, Festus, MO 63028

County

Jefferson

2. Applicant Identification (information must agree with previously submitted Letter of Intent)

List All Owner(s): (list corporate entity)

Address (Street/City/State/Zip Code)

Telephone Number

JMII Diversified Health
Care

1400 Highway 61 South, Crystal City, MO 63019

636-933-1000

Crystal Oaks Long Term
Care

1500 Calvary Church Road, Festus, MO 63028

636-933-1818

List All Operator(s): (list entity to be
licensed or certified)

Address (Street/City/State/Zip Code)

Telephone Number

Crystal Oaks Long Term
Care

1500 Calvary Church Road, Festus, MO 63028

636-933-1818

3. Ownership (Check applicable category)



Nonprofit Corporation



Individual



City



District



Partnership



Corporation



County



Other: _____

4. Certification:

In submitting this project application, the applicant understands that:

- (A) The review will be made as to the community need for the proposed beds or equipment in this application;
- (B) In determining community need, the Missouri Health Facilities Review Committee (Committee) will consider all similar beds or equipment within;
- (C) The issuance of a Certificate of Need (CON) by the Committee depends on conformance with its Rules and CON statute;
- (D) A CON shall be subject to forfeiture for failure to incur an expenditure on any approved project six (6) months after the date of issuance, unless obligated or extended by the Committee for an additional six (6) months;
- (E) Notification will be provided to the CON Program staff if and when the project is abandoned; and
- (F) A CON, if issued, may not be transferred, relocated, or modified except with the consent of the Committee.

We certify the information and data in this application as accurate to the best of our knowledge and belief by our representative's signature below:

5. Authorized Contact Person (attach a Contact Person Connection Form if different from the Letter of Intent)

Name of Contact Person

Richard D. Watters

Title

Attorney

Telephone Number

314-621-2939

Fax Number

314-621-6844

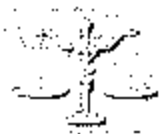
E-mail Address

rdwatters@lashlybaer.com

Signature of Contact Person

Date of Signature

10/20/09



Certificate of Need Program

REPRESENTATIVE REGISTRATION

(A registration form must be completed for each project represented)

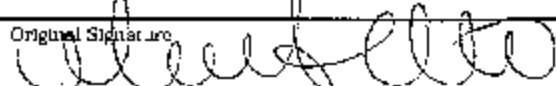
Project Name Crystal Oaks 32 SNF Bed Addition		Number 4426 NS																
(Please type or print legibly)																		
Name of Representative Richard D. Watters		Title Attorney																
Firm/Company/Association of Representative (may be different from below, e.g. law firm, consultant, other) Lashly & Boer, P.C.		Telephone Number 314-621-2939																
Address (Street/City/State/Zip Code) 714 Locust St. Louis, MO 63101																		
Who's interests are being represented? (If more than one, submit a separate Representative Registration Form for each.)																		
Name of Individual/Agency/Corporation/Organization Being Represented Crystal Oaks Long Term Care		Telephone Number 636-933-1818																
Address (Street/City/State/Zip Code) 1500 Carvery Church Road Festus, MO 63028																		
<table border="0"><tr><td>Check one. Do you:</td><td>Relationship to Project:</td></tr><tr><td><input checked="" type="checkbox"/> Support</td><td><input type="checkbox"/> None</td></tr><tr><td><input type="checkbox"/> Oppose</td><td><input type="checkbox"/> Employee</td></tr><tr><td><input type="checkbox"/> Neutral</td><td><input checked="" type="checkbox"/> Legal Counsel</td></tr><tr><td></td><td><input type="checkbox"/> Consultant</td></tr><tr><td></td><td><input type="checkbox"/> Lobbyist</td></tr><tr><td></td><td><input type="checkbox"/> Other (explain):</td></tr><tr><td>Other information:</td><td></td></tr></table>			Check one. Do you:	Relationship to Project:	<input checked="" type="checkbox"/> Support	<input type="checkbox"/> None	<input type="checkbox"/> Oppose	<input type="checkbox"/> Employee	<input type="checkbox"/> Neutral	<input checked="" type="checkbox"/> Legal Counsel		<input type="checkbox"/> Consultant		<input type="checkbox"/> Lobbyist		<input type="checkbox"/> Other (explain):	Other information:	
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<input type="checkbox"/> Oppose	<input type="checkbox"/> Employee																	
<input type="checkbox"/> Neutral	<input checked="" type="checkbox"/> Legal Counsel																	
	<input type="checkbox"/> Consultant																	
	<input type="checkbox"/> Lobbyist																	
	<input type="checkbox"/> Other (explain):																	
Other information:																		
<p>I attest that to the best of my belief and knowledge the testimony and information presented by me is truthful, represents factual information, and is in compliance with §197.326.1 RSMo which says: Any person who is paid either as part of his normal employment or as a lobbyist to support or oppose any project before the health facilities review committee shall register as a lobbyist pursuant to chapter 105 RSMo, and shall also register with the staff of the health facilities review committee for every project in which such person has an interest and indicate whether such person supports or opposes the named project. The registration shall also include the names and addresses of any person, firm, corporation or association that the person registering represents in relation to the named project. Any person violating the provisions of this subsection shall be subject to the penalties specified in §105.478, RSMo.</p>																		
Original Signature 		Date 10/20/09																



Certificate of Need Program

REPRESENTATIVE REGISTRATION

(A registration form must be completed for each project represented)

Project Name Crystal Oaks 32 SNF Bed Addition		Number 4426 NS
(Please type or print legibly)		
Name of Representative Margaret Scavotto		Title Attorney
Firm/Corporation/Association of Representative (may be different from below, e.g., law firm, consultant, other) Lashly & Bacc, P.C.		Telephone Number 314-621-2939
Address (Street/City/State/Zip Code) 714 Locust St. Louis, MO 63101		
Who's interests are being represented? (If more than one, submit a separate Representative Registration Form for each.)		
Name of Individual/Agency/Corporation/Organization being Represented Crystal Oaks Long Term Care		Telephone Number 636-933-1818
Address (Street/City/State/Zip Code) 1500 Calvary Church Road Festus, MO 63028		
Check one. Do you: <input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Neutral		Relationship to Project: <input type="checkbox"/> None <input type="checkbox"/> Employee <input checked="" type="checkbox"/> Legal Counsel <input type="checkbox"/> Consultant <input type="checkbox"/> Lobbyist <input type="checkbox"/> Other (explain):
Other information: _____ _____		_____ _____
<p>I attest that to the best of my belief and knowledge the testimony and information presented by me is truthful, represents factual information, and is in compliance with §197.326.1 RSMo which says: Any person who is paid either as part of his normal employment or as a lobbyist to support or oppose any project before the health facilities review committee shall register as a lobbyist pursuant to chapter 105 RSMo, and shall also register with the staff of the health facilities review committee for every project in which such person has an interest and indicate whether such person supports or opposes the named project. The registration shall also include the names and addresses of any person, firm, corporation or association that the person registering represents in relation to the named project. Any person violating the provisions of this subsection shall be subject to the penalties specified in §105.478, RSMo.</p>		
Original Signature 		Date 15 Oct 2009

WFO 350-1988 (11-79)



Certificate of Need Program

PROPOSED PROJECT BUDGET

Description

Dollars

COSTS:

1. New Construction Costs ***	\$4,117,912
2. Renovation Costs ***	500,000
3. Subtotal Construction Costs (#1 plus #2)	\$4,617,912
4. Architectural/Engineering Fees	\$285,800
5. Other Equipment (not in construction contract)	650,000
6. Major Medical Equipment	0
7. Land Acquisition Costs ****	0
8. Consultants' Fees/Legal Fees ***	388,500
9. Interest During Construction (net of interest earned) ***	243,640
10. Other Costs *****	160,000
11. Subtotal Non-Construction Costs (sum of #4 through #10)	\$1,725,940
12. Total Project Development Costs (#3 plus #11)	\$6,343,852 **

FINANCING:

13. Unrestricted Funds	\$0
14. Bonds	0
15. Loans	6,343,852
16. Other Methods (specify)	0
17. Total Project Financing (sum of #13 through #16)	\$6,343,852 **

18. New Construction Total Square Footage	31,100
19. New Construction Costs Per Square Foot *****	132
20. Renovated Space Total Square Footage	7,691
21. Renovated Space Costs Per Square Foot *****	65

* Attach additional page(s) to provide details of how each line item was determined, including all methods and assumptions used.

** These amounts should be the same.

*** Capitalizable items to be recognized as capital expenditures after project completion.

**** Include as Other Costs the following: other costs of financing; the value of existing lands, buildings and equipment not previously used for health care services, such as a renovated house converted to residential care, determined by original cost, fair market value, or appraised value; or the fair market value of any leased equipment or building, or the cost of beds to be purchased.

***** Divide new construction costs by total new construction square footage.

***** Divide renovation costs by total renovation square footage.

Proposed Project Budget Detail Sheet

1. New Construction Costs. \$4,117,912 represents the total new construction costs of the 31,300 square foot addition dedicated to short-term rehabilitation care.
2. Renovation Costs. \$500,000 represents the costs to renovate the existing building, including renovation of two nursing stations and the dining room serving area; flooring upgrades; and a sun-room.
4. Architectural/Engineering Fees. \$283,800 represents all architectural, mechanical, electrical, plumbing, and civil engineering fees.
5. Other Equipment. \$650,000 will be used to purchase furniture, fixtures and equipment.
7. Land Acquisition Costs. There are no land acquisition costs associated with this project. The land lease payments are included in the service-specific revenues and expenses
8. Consultant's Fees/Legal Fees: \$388,500 includes legal fees paid for contractual review and development, owner representative construction management, and financial consultant fees.
10. Other Costs. \$160,000 represents financing fees.

DIVIDER II: Proposal Description

1. Provide a complete detailed project description.

The Crystal Oaks skilled nursing and assisted living facilities were established in 1995 by Jefferson Regional Medical Center ("JRMC"). Since 2007, Crystal Oaks has been operating as an independent not-for-profit sister corporation of JMRC, comprising 99 skilled nursing beds and 60 assisted living beds. In 2007, Applicant dedicated one of its skilled nursing wings (18 beds) to short term rehabilitation care. Since that time, this short term rehabilitation unit has remained full, forcing Applicant to turn away individuals seeking rehabilitation care. Many of these patients come from the Medical Center.

To address this shortage of rehabilitation beds, applicant proposes to add 32 skilled nursing beds, dedicated to short term rehabilitation care, to its existing skilled nursing facility. Applicant will also build a state-of-the-art rehabilitation area offering Physical Therapy, Occupational Therapy, and Speech Therapy, which will be used by the 32 bed addition, as well as the existing facilities. These therapies are necessary for patients recovering from orthopedic surgery, cardiac procedures, other surgeries or serious illness. The new rehabilitation unit will also provide services such as pain management and wound therapy. When these "short term" services are provided in a dedicated unit, as Applicant is proposing, rather than in a typical nursing home environment with long term care residents, it speeds the recovery process and is less traumatic to the patient. The 32 additional beds will be in private rooms equipped with individual private showers.

This expansion will also allow Applicant to expand its Alzheimer's support unit by converting the 18 beds in its existing rehabilitation unit into 18 Alzheimer's support beds. As mentioned in the numerous attached letters of support, Applicant's current 20 bed Alzheimer's support unit is also consistently full, forcing community residents to be placed on a waiting list for an open bed. Alzheimer's support is a growing need in Applicant's service area. Currently, there are very few beds in Jefferson County specifically dedicated to Alzheimer's care. Alzheimer's care at Crystal Oaks includes specially trained staff, and a dedicated unit director with specialized training in Alzheimer's care. The Alzheimer's support unit offers a secured environment with a complete wander guard system, plus specialized care and activities specifically designed for Alzheimer's care.

This 32 bed expansion will allow Crystal Oaks to provide needed specialized rehabilitation and Alzheimer's services to the Jefferson County community.

2. Provide a legible city or county map showing the exact location of the proposed facility.

Please see attached map.

3. Provide a site plan for the proposed project.

Please see attached Additions and Alterations Schematic Design Progress Set, provided by Lawrence Group, which includes a site plan on page 2.

4. Provide preliminary schematic drawings for the proposed project.

Please see attached Additions and Alterations Schematic Design Progress Set, provided by Lawrence Group.

5. Provide evidence that architectural plans have been submitted to the DHSS.

Please see attached letter from Tracy Cleeton to Lawrence Group Architects, indicating that preliminary plans for the project were received by DHSS on September 18, 2009.

6. Provide the proposed gross square footage.

The total gross square footage is 38,791 (31,100 square feet of new construction and 7,691 square feet of renovation).

7. Document ownership of the project site, or provide an option to purchase.

Please see attached Ground Lease.

8. Define the community to be served.

Crystal Oaks serves the Jefferson County area. The majority of Applicant's referrals come from the Crystal City/Festus area in Jefferson County (zip codes 63028 and 63019). The remaining referrals come from surrounding communities in Jefferson County, and from Ste. Genevieve, St. Francis, and St. Louis Counties.

9. Provide 2015 population projections for the 15-mile radius service area.

The total over-65 population projections for 2015, within the 15-mile radius, are attached. This data was provided by the Missouri Bureau of Health Informatics. The total over-65 population within the 15-mile radius is: 20,227. As of the date this application is filed, these projections have not yet been confirmed by the Committee.

10. Identify specific community problems or unmet needs the proposal would address.

Crystal Oaks currently operates an 18 bed short term rehabilitation wing within its 99-bed skilled nursing facility. Since this wing was originally dedicated to short term rehabilitation service in 2007, Applicant has maintained a census on that wing of 95%. Crystal Oaks also operates a 20 bed Alzheimer's support wing at its skilled nursing facility. Since January 2008, the occupancy rate on that Alzheimer's unit has been 100%, and there are 8 people on a waiting list for Alzheimer's care.

The expansion of short-term rehabilitation care and Alzheimer's care at Crystal Oaks will allow Applicant to meet the demand for those specialized services in its service area.

11. **Provide historical utilization for each of the past three years and utilization projections through the first three years of operation of the new LTC beds.**

Historical Utilization

FY2007	FY2008	FY2009
32,764	32,484	34,406

Projected Utilization

FY2010	FY2011	FY2012	FY2013
34,675	44,895	45,260	45,990

12. **Provide the methods and assumptions used to project utilization.**

When projecting utilization for the first three years of operation, Applicant considered the historical census and current census trends, as well as anticipated community needs for Alzheimer's care and short-term rehabilitation care.

13. **Document that consumer needs and preferences have been included in this project and describe how consumers had an opportunity to provide input.**

In April of 2009, Applicant began asking patients, during exit interviews, for input on the expansion plans and what changes patients would like to see. Patients suggested the following improvements:

- More spacious rooms
- Individual showers
- More rehabilitation space
- Closer rehabilitation area to the unit
- Larger common area

All of these suggestions were incorporated into the design for this project.

A notice of this project was also published in the Suburban Journal, Jefferson County Edition, on September 23, 2009 (Affidavit of Publication attached).

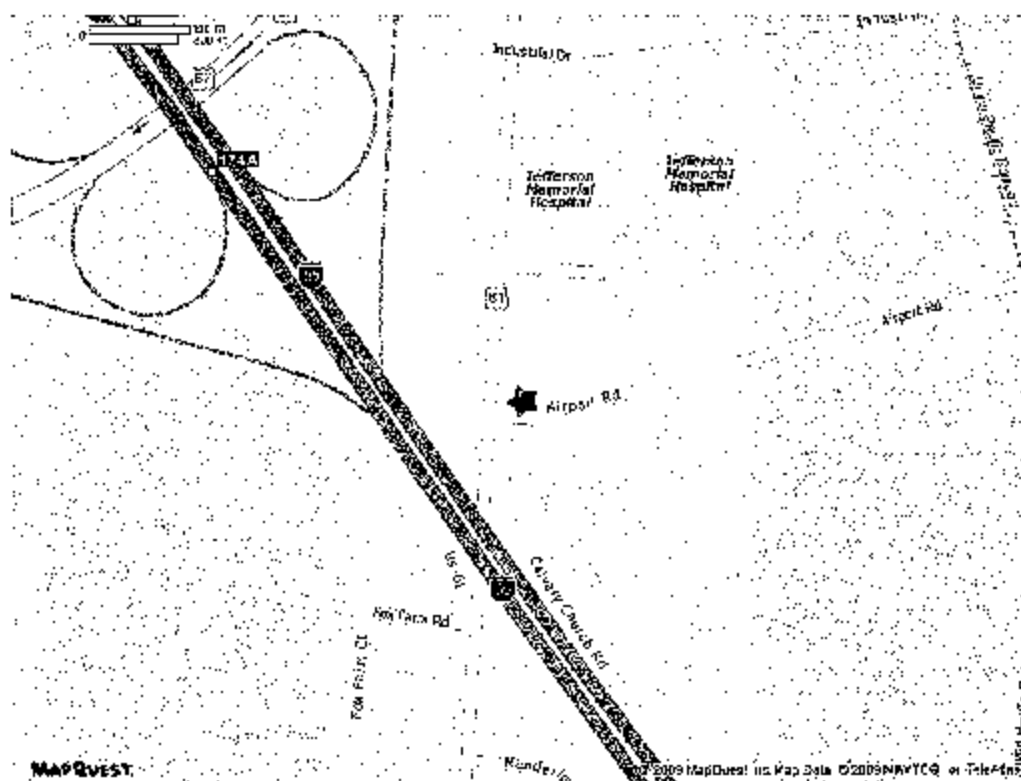
14. **Provide copies of any petitions, letters of support or opposition received.**

Letters of support are attached. Additional letters will be forwarded to the Committee as they are received.

MAPQUEST.

Sorry! When printing directly from the browser your directions or map may not print correctly. For best results, try clicking the Print-Friendly button.

★ 1500 Calvary Church Rd Edit
Festus, MO 68028-4125



All rights reserved. Use subject to License/Copyright Map Legend

Directions and maps are informational only. We make no warranties or the accuracy of their content, road conditions or route usability or expeditionness. You assume all risk of use. MapQuest and its suppliers shall not be liable to you for any loss or delay resulting from your use of MapQuest. Your use of MapQuest means you agree to our [Terms of Use](#)

CRYSTAL OAKS - ADDITIONS AND ALTERATIONS SCHEMATIC DESIGN PROGRESS SET

1500 CALVARY CHURCH ROAD
CRYSTAL CITY, MO 63019

OCT. 13, 2009



5511 Caroline Denver New York St. Louis
9 North 4th Street
ite 1030
- Louis, Missouri 63102
P 314.237.5700
F 314.811.2610

DRAWINGS

Architectural

1. COVER PAGE
2. SITE PLAN
3. ADDITION FLOOR PLAN
4. BASEMENT PLAN
5. TYPICAL CUT PLAN
6. ADDITION ROOF PLAN
7. FINISHINGS
8. ELEVATIONS
9. ELEVATIONS
10. BUILDING SECTIONS

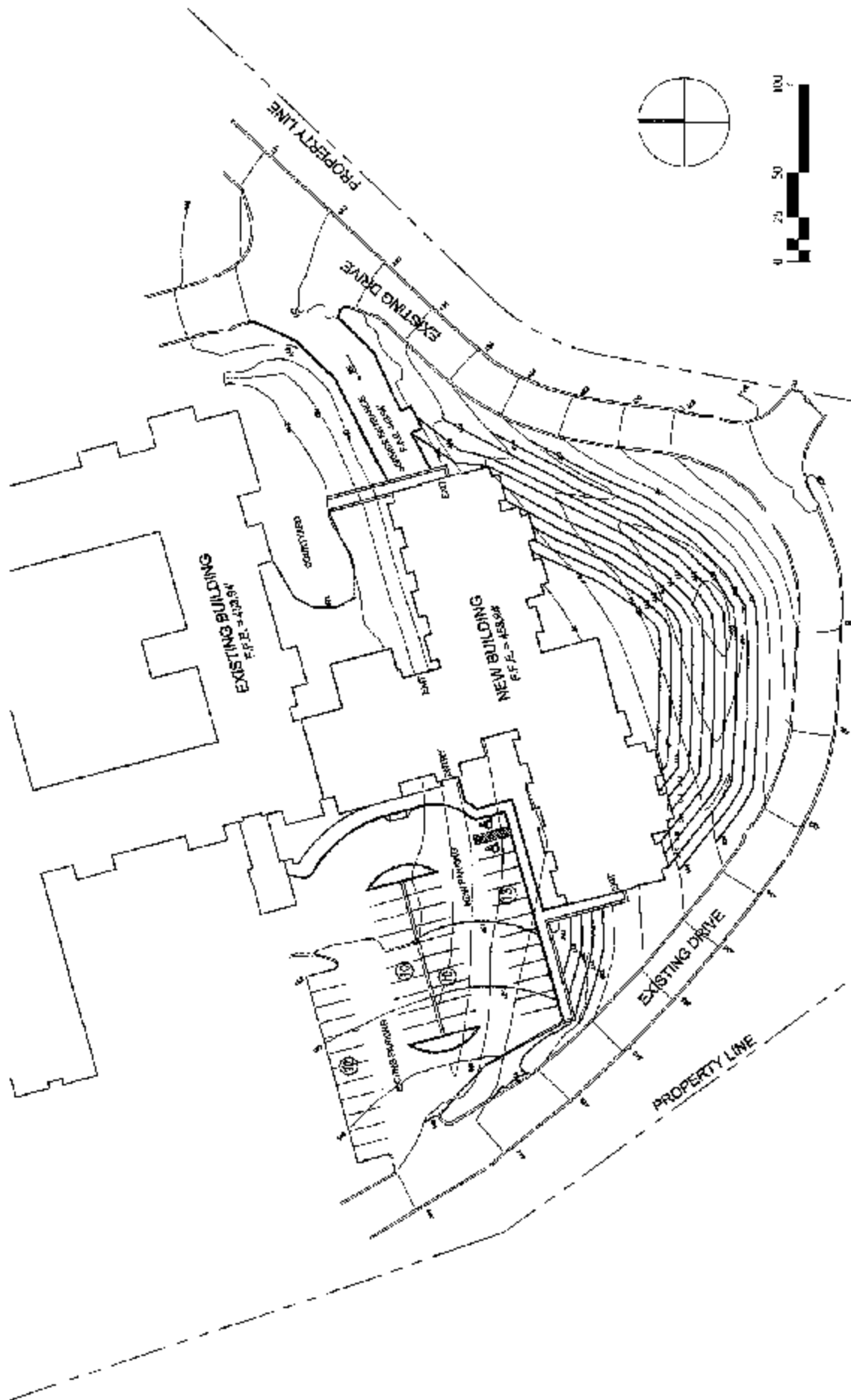
LOCATION PLAN



CODE SUMMARY

Applicable Building Codes:

2006 IBC BUILDING CODE
USE GROUP: HHS1 - LOBBY
BASEMENT S-2
CONSTRUCTION TYPE: 4-A Combustible,
Protected
FULLY SPRINKLED



CRYSTAL OAKS - ADDITIONS AND ALTERATIONS - SCHEMATIC DESIGN PROGRESS SET

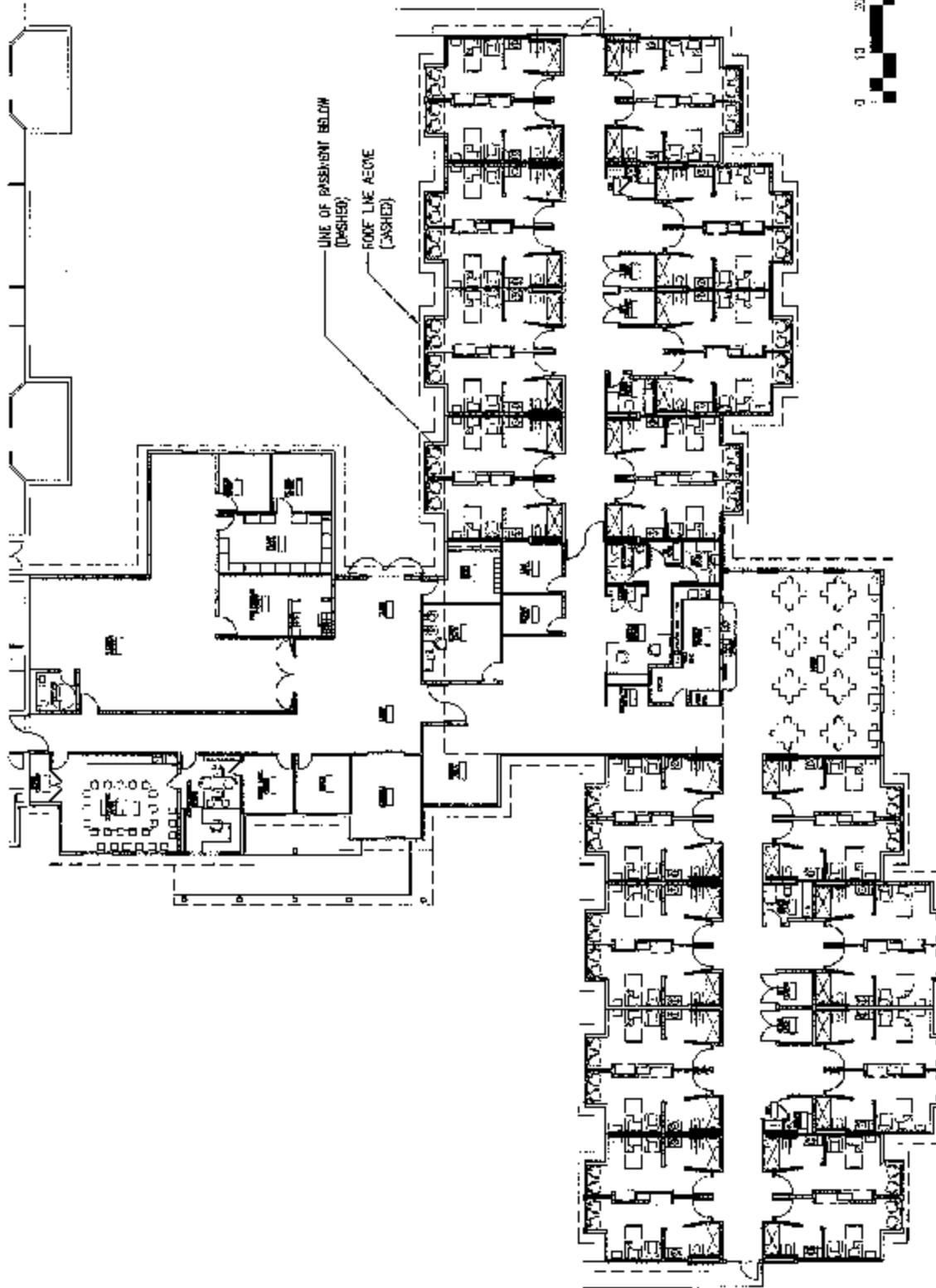
SITE PLAN

SCALE: 1" = 50' 0"

OCTOBER 15, 2009

2

LAWRENCE GROUP



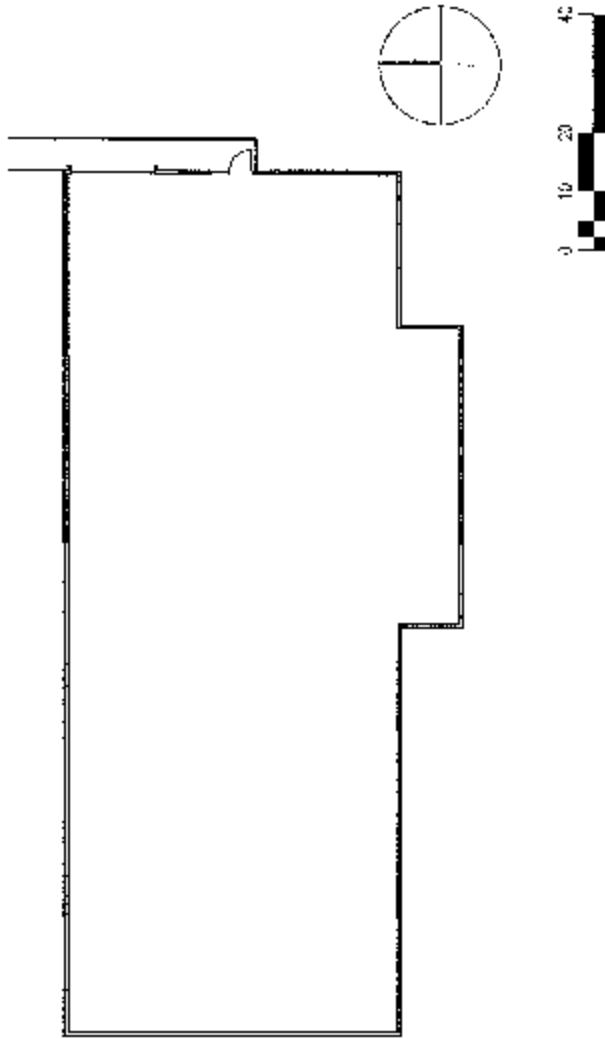
CRYSTAL OAKS - ADDITIONS AND ALTERATIONS - SCHEMATIC DESIGN PROGRESS SET

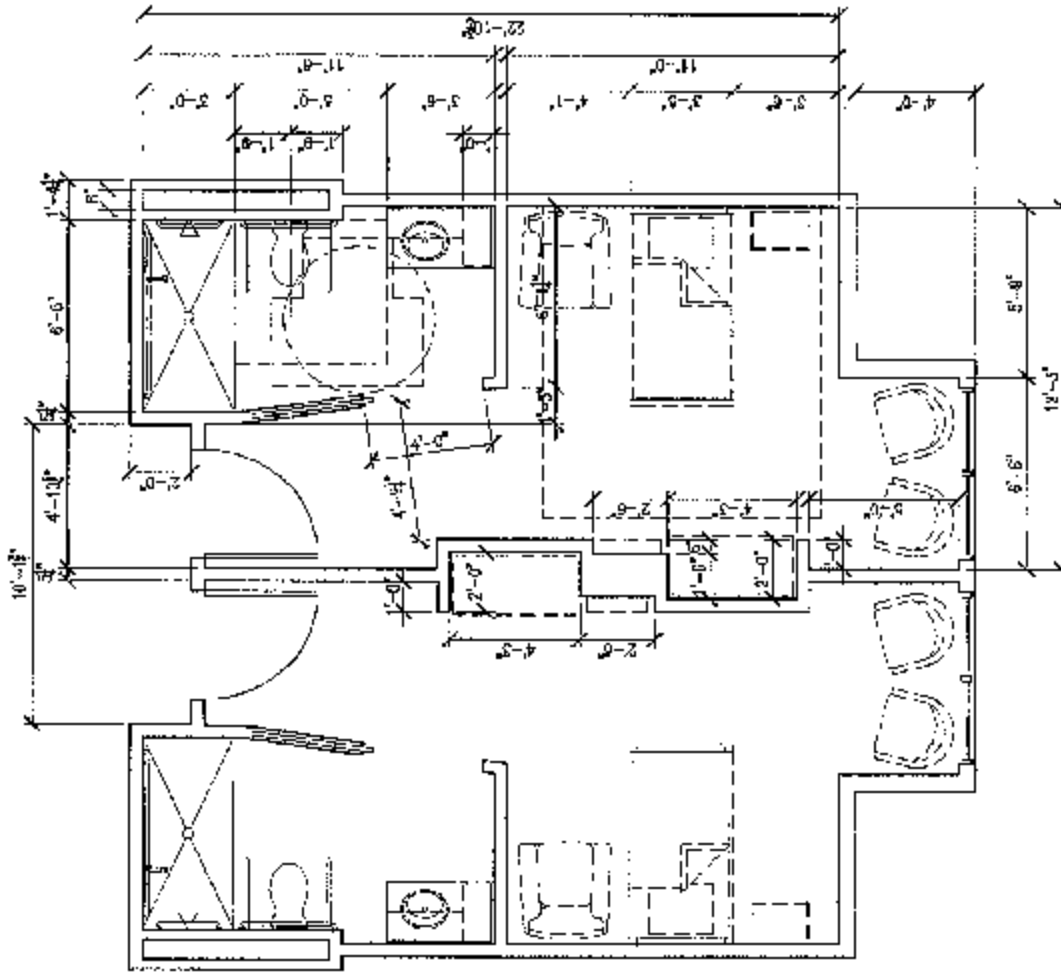
FLOOR PLAN (22,700 sf First Floor; 8,400 sf Basement) SCALE: 1" = 20'-0"

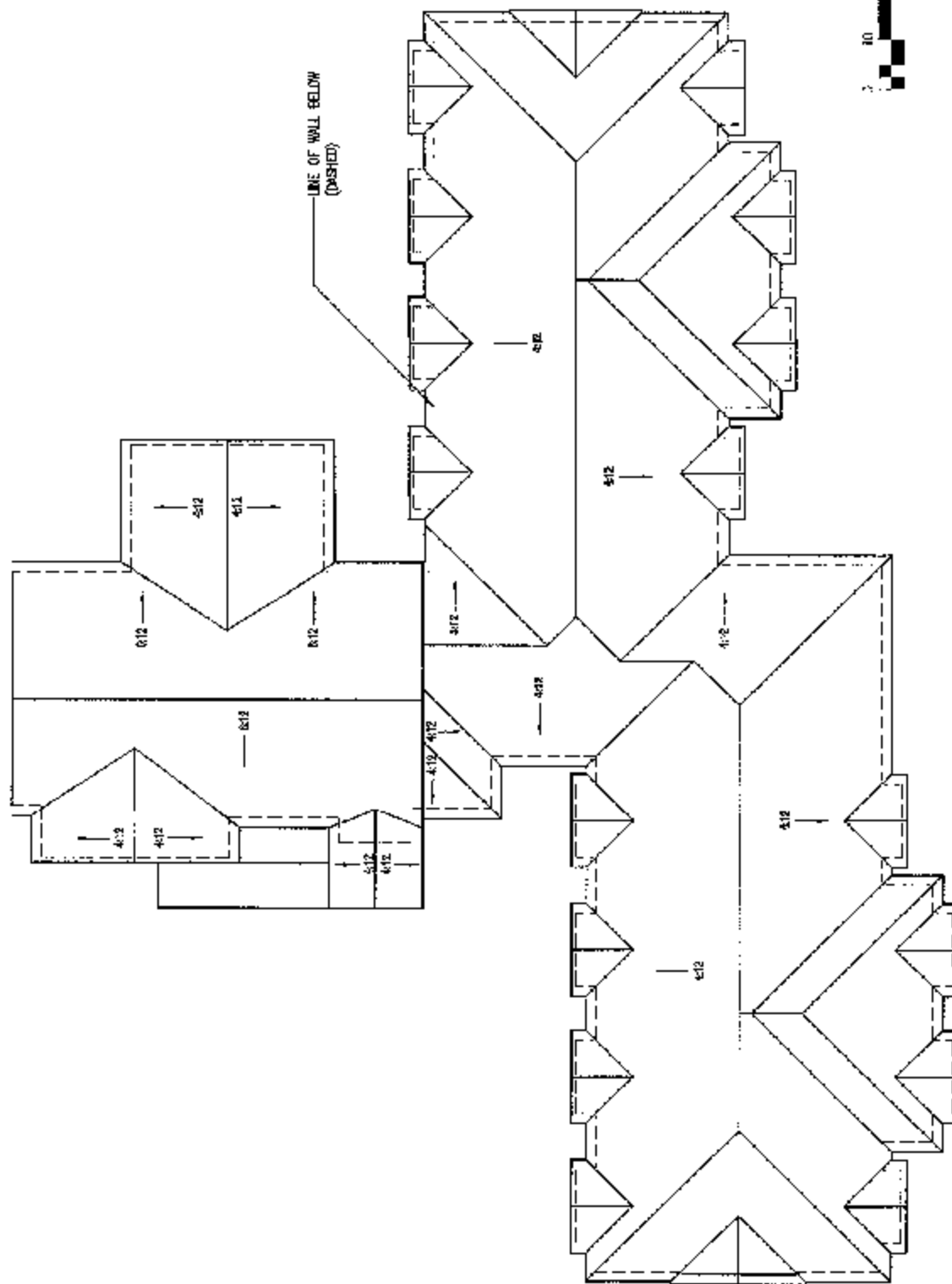
LAWRENCE GROUP

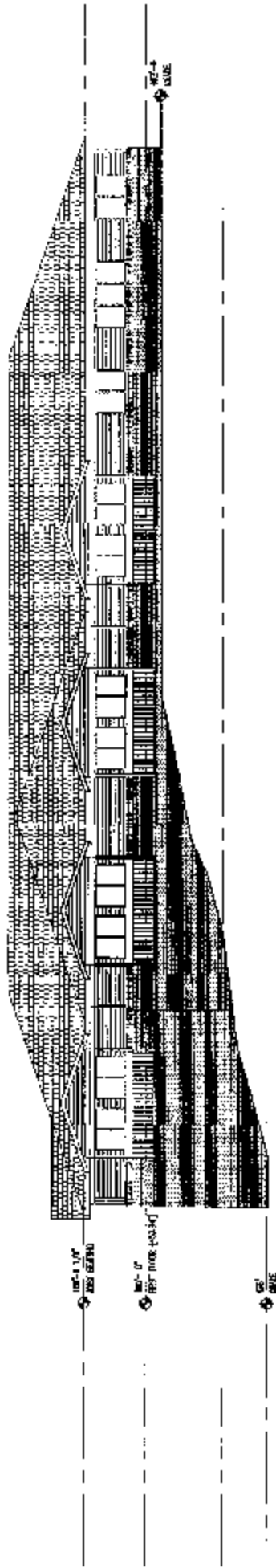
OCTOBER 13, 2009

3



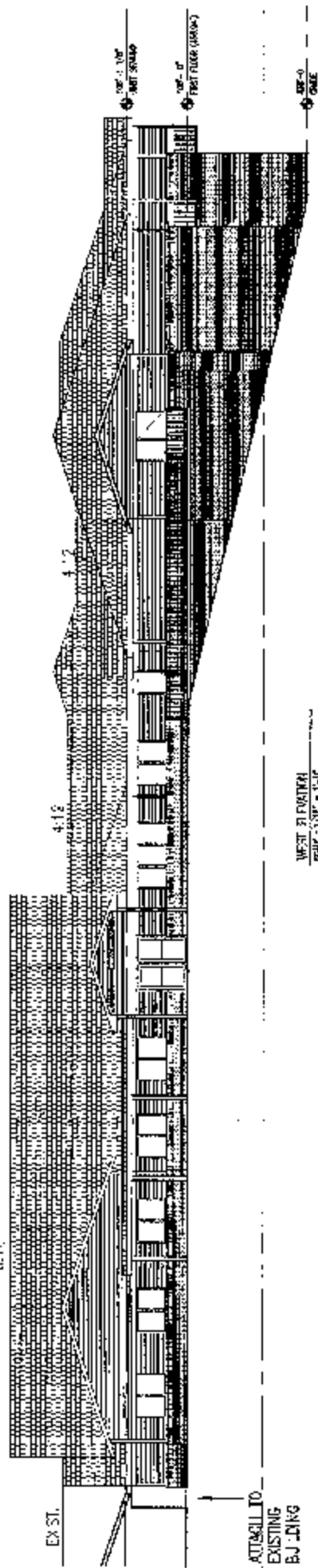






PARTIAL SOUTH (WEST) ELEVATION
SCALE: 1/8" = 1'-0"

EX. 12



WEST (NORTH) ELEVATION
SCALE: 1/8" = 1'-0"

CRYSTAL OAKS - ADDITIONS AND ALTERATIONS - SCHEMATIC DESIGN PROGRESS SET

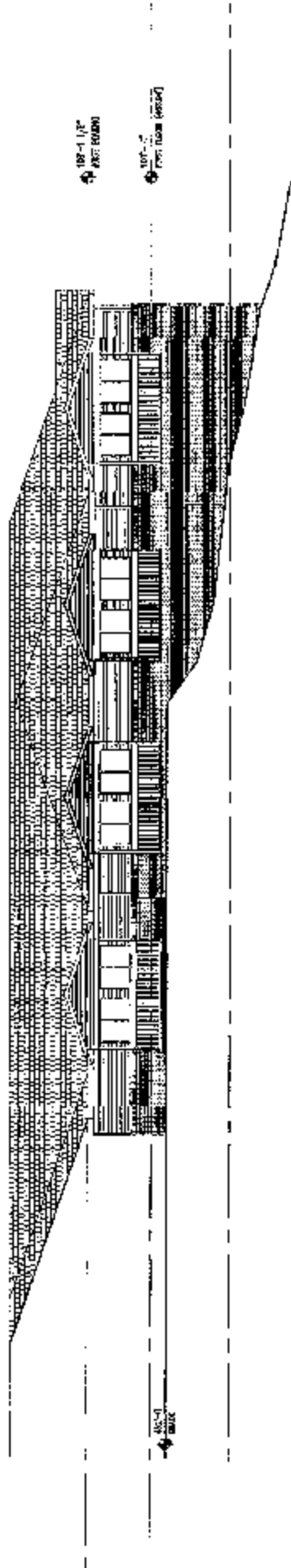
LAWRENCE GROUP

ELEVATION

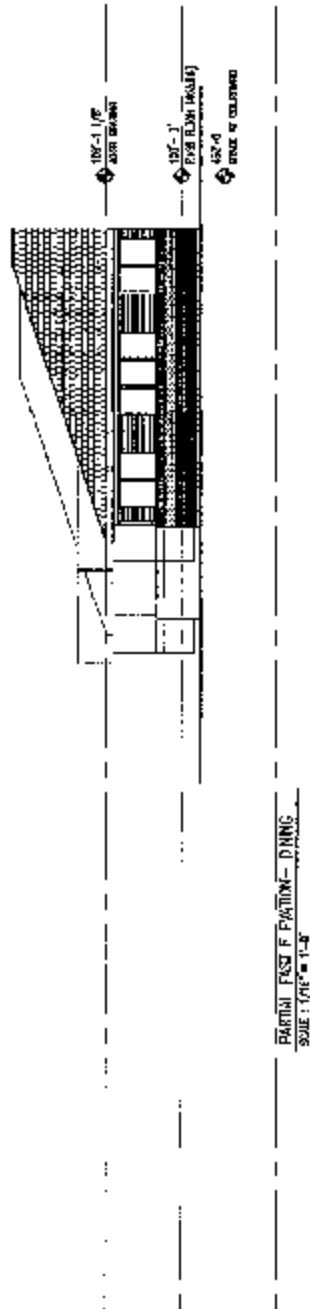
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OCTOBER 12, 2008

7



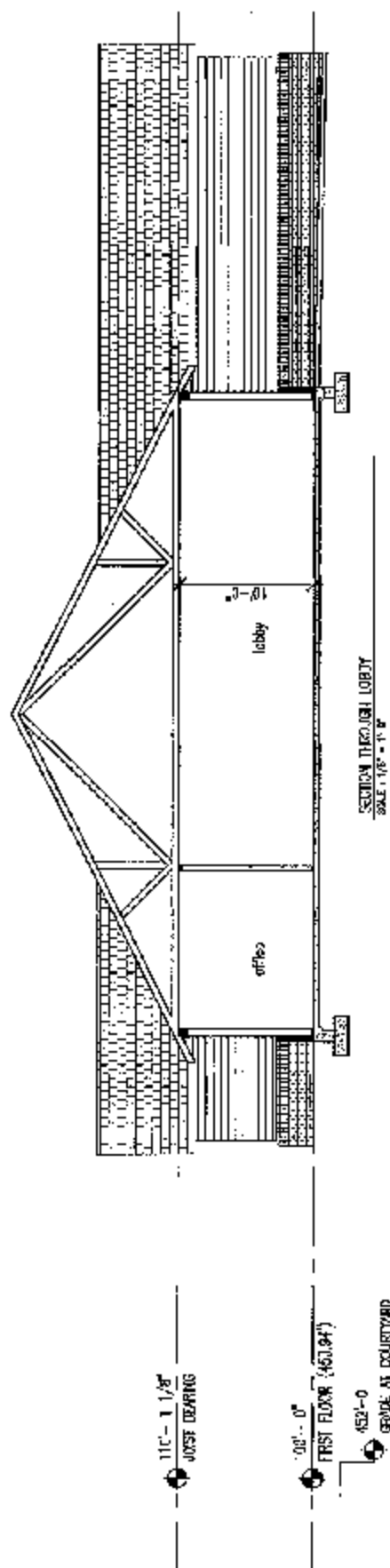
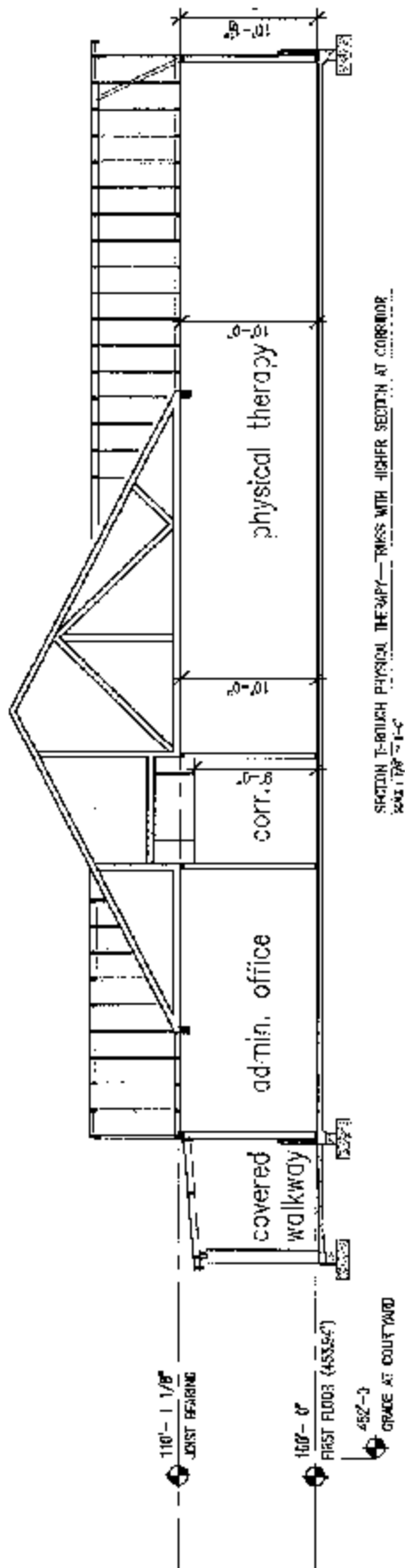
PARTIAL SOUTH (EAST) ELEVATION
SCALE: 1/8" = 1'-0"



PARTIAL FIRST FLOOR PLAN - DINING
SCALE: 1/8" = 1'-0"

CRYSTAL OAKS - ADDITIONS AND ALTERATIONS - SCHEMATIC DESIGN PROGRESS SET

LAWRENCE GROUP



CRYSTAL OAKS - ADDITIONS AND ALTERATIONS - SCHEMATIC DESIGN PROGRESS SET

LAWRENCE GROUP

ELEVATION

SCALE: 1/8" = 1'-0"

OCTOBER 13, 2000

10



Missouri Department of Health and Senior Services

P.O. Box 570, Jefferson City, MO 65102-0570 Phone: 573-751-6400 FAX: 573-751-8010
RELAY MISSOURI for Hearing and Speech Impaired 1-800-735-2369 VOICE 1-800-735-2466

Margaret T. Donnelly
Director



Jeremiah W. (Jay) Nixon
Governor

September 18, 2009

Daniel A. Rosenthal
Lawrence Group Architects
319 North 4th Street, Suite 1000
St. Louis, MO 63102

RE: Proposed 32-bed Addition
Crystal Oaks
Crystal City, MO
NH-2282

Dear Mr. Rosenthal:

Preliminary plans for this proposed addition was reviewed in this office on September 18, 2009.

The following recommendations should be considered as the final plans are developed:

1. Verify that any parallel wing within 30 feet of the other has additional sprinkler coverage over any window in those areas.
2. To allow a Type V (111) construction, verify that basement exposure is limited to less than 50% of the circumference of the structure.
3. An exception for 19 CSR 30-85.012 (52) will be necessary if the owners of the facility want to eliminate the central bathing facility's, for each sex, in the new nursing unit.
4. Before construction is started, a final architectural set of drawings must be approved. This will include mechanical, plumbing, electrical, and life safety documents.

If you have any questions on these requirements, feel free to contact me at 573-526-8515.

Sincerely,

Tracy Cleeton
Life Safety Code Consultant
Engineering Consultation Unit

CC: Mary Collier, Region 7; James Arnold, Administrator, Crystal Oaks, P.O. Box 680, Crystal City, MO 63109

www.dhss.mo.gov

Healthy Missouri for life.

The Missouri Department of Health and Senior Services will be the leader in promoting, protecting and partnering for health.

AN EQUAL OPPORTUNITY/AFFIRMATIVE ACTION EMPLOYER: Services provided on a nondiscriminatory basis.

GROUND LEASE

THIS GROUND LEASE (this "*Lease*") is made and entered into as of September 30, 2008, by and between JMH DIVERSIFIED HEALTH CARE, a Missouri nonprofit corporation ("*Landlord*"), and CRYSTAL OAKS LONG TERM CARE, a Missouri nonprofit corporation ("*Tenant*"), with reference to the following facts:

A. Landlord is the owner of certain real property located in Jefferson County, Missouri as legally described in *Exhibit A* attached hereto (the "*Landlord Property*").

B. Landlord desires to enter into a ground lease with respect to the portion of the Landlord Property legally described in *Exhibit B* attached hereto (the "*Site*") and the improvements thereon, including roads, sewers, utilities and installments (the "*Site Improvements*" and, together with the Site, the "*Leased Premises*").

C. Pursuant to that certain Asset Purchase Agreement (the "*Purchase Agreement*"), and subject to this Lease, Landlord has agreed to sell and Tenant has agreed to purchase, (1) the Tenant-Owned Improvements (defined herein); and, (2) the operating assets, including all furniture and equipment, used in the operation of a 60-bed assisted living facility and a 99-bed skilled nursing facility known as "Crystal Oaks" in a transaction whose closing shall occur concurrently with the effective date of this Lease.

NOW, THEREFORE, the parties, for good and valuable consideration, the receipt of which is hereby acknowledged, and for the purposes above set forth, hereby agree as follows:

ARTICLE 1 DEFINITIONS

For purposes of this Lease, the following terms shall have the following meanings:

"*Adjoining Property*" the portion of the Landlord Property excluding the Site.

"*Bankruptcy Termination Option*" means Tenant's right to treat this Lease as terminated under 11 U.S.C. §365(h)(1)(A)(i), or any comparable provision of law.

"*Building Lease*" means that certain Building Lease, of even date herewith, between Landlord and Tenant, as amended, modified, renewed or restated from time to time.

"*Commencement Date*" has the meaning given in Section 2.3 below.

"*Commencement Date of the Renewal Term*" has the meaning given in Section 2.3 below.

"*Fee Estate*" means Landlord's fee interest in the Leased Premises, including Landlord's reversionary interest, all subject to this Lease.

"*Fee Mortgage*" means any deed of trust, mortgage, collateral assignment or other similar lien (such as amended, modified, renewed or restated from time to time) encumbering Landlord's Fee Estate.

"*Fee Mortgagee*" means a holder of a Fee Mortgage, and its successors and assigns.

"Foreclosure Event" means any (a) foreclosure sale (or trustee's sale, deed in lieu of foreclosure, sale under 11 U.S.C. §363, or similar transfer) affecting the Leasehold Estate, or (b) Leasehold Mortgagee's exercise of any other right or remedy under a Leasehold Mortgage (or applicable law) that divests Tenant of its Leasehold Estate.

"Governmental Authorities" means all federal, state and municipal governments, courts, departments, commissions, boards and officers having jurisdiction over the Leased Premises, Landlord or Tenant.

"Governmental Requirement(s)" means all present and future laws, ordinances, orders, rules, regulations and requirements of any Governmental Authority having jurisdiction over the Leased Premises or the use of it or this Lease and all building permits and other licenses and approvals required by the appropriate Governmental Authorities in connection with the Lease.

"Hazardous Materials" shall include but not be limited to substances defined as "hazardous substances," "hazardous materials" or "toxic substances" by state, local or federal environmental laws, including but not limited to, in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, *et seq.*; the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801 *et seq.*; the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 *et seq.*; and in the regulations adopted and publications promulgated from time to time pursuant to said laws.

"Hospital" means The Jefferson Memorial Hospital Association, a Missouri pro forma decore nonprofit corporation.

"Improvements" shall mean, collectively, any Site Improvements and Tenant-Owned Improvements.

"Landlord" means TMH Diversified Health Care, a Missouri nonprofit corporation, and its successors and assigns, as Landlord under this Lease. Landlord is the owner of fee simple of the Leased Premises.

"Landlord Property" means the real property legally described on *Exhibit A* attached hereto.

"Lease" means this Ground Lease, of even date herewith, between Landlord and Tenant, as amended, modified, renewed or restated from time to time.

"Lease Impairment" means Tenant's (a) cancellation, modification, surrender, or termination of this Lease, including upon a Loss; (b) determination that a Total Loss has occurred; (c) exercise of any Bankruptcy Termination Option; (d) subordination of this Lease or the Leasehold Estate to any other estate or interest in the Leased Premises; or (e) waiver of any material term(s) of this Lease.

"Lease Termination Notice" means a notice stating that this Lease has terminated, and describing in reasonable detail any uncured Tenant Defaults.

"Leased Fee Value" means the fair market value of the Fee Estate in the Leased Premises, considered as if unimproved and subject to this Lease.

"Leased Premises" has the meaning given in the Recitals above.

"*Leasehold Mortgage*" means any deed of trust, mortgage, collateral assignment or other similar lien (each as amended, modified, renewed or restated from time to time) encumbering any or all of this Lease, the Leasehold Estate, and Tenant's Preemptive Right.

"*Leasehold Mortgagee*" means a holder of a Leasehold Mortgage (and its successors and assigns), provided Landlord has received notice of its name and address, and a copy of its Leasehold Mortgage as recorded in the Recorder's Office.

"*Loss*" means a casualty or Taking affecting the Leased Premises.

"*Loss Proceeds*" means any insurance proceeds or condemnation award paid or payable in connection with any Loss.

"*New Lease*" means a new lease of the Leased Premises pursuant to Section 10.6 below, and related customary documents such as a memorandum of lease.

"*New Tenant*" means Leasehold Mortgagee or its designee or nominee, and any of their successors and assigns.

"*Offer Notice*" has the meaning given in Section 4.3(a) below.

"*Option Period*" has the meaning given in Section 4.2 below.

"*Person*" means a natural person, corporation, limited liability company, partnership, trustee or other legal entity capable of holding title to real property.

"*Pre-Approved Assignee*" has the meaning given in Section 9.5 below.

"*Preemptive Right*" means any expansion, purchase, or renewal option, or right of first refusal or first offer, or other preemptive right this Lease gives Tenant, if any.

"*Proposed Offer*" has the meaning given in Section 4.1 below.

"*Purchase Agreement*" has the meaning given in the Recitals above.

"*Recorder's Office*" means the Recorder of Deeds Office of Jefferson County, Missouri.

"*Remaining Leased Premises*" means any portion of the Leased Premises that Landlord continues to own after a Total Loss.

"*Renewal Notice*" shall have the meaning given in Section 2.3 below.

"*Renewal Term*" shall have the meaning given in Section 2.3 below.

"*Rent*" shall have the meaning given in Section 2.6 below.

"*Site*" shall have meaning given in the Recitals above.

"*Site Improvements*" shall have meaning given in the Recitals above.

"*Sublease*" means sublease of all or part of the Leased Premises, as amended, modified, renewed or restated from time to time.

"Subtenant" means any tenant under any Sublease, and its successors and assigns.

"Taking" means any expropriation or taking on a permanent basis of all or any portion of the Leased Premises, by any governmental agency or authority (or other Person authorized by law) in exercise of its statutory powers of condemnation or eminent domain or other similar proceedings; a conveyance made in good faith in lieu of any of the foregoing shall also be deemed to be a Taking.

"Tenant" means Crystal Oaks Long Term Care, a Missouri nonprofit corporation, and its successors and assigns, as Tenant under this Lease.

"Tenant Default" means the occurrence of one or more of the events identified and set forth in Article 10 below.

"Tenant Default Notice" means Landlord's written notice of a Tenant Default, which notice shall describe such Tenant Default in reasonable detail.

"Tenant-Owned Improvements" means any buildings (including building fixtures and equipment used in the operation of the buildings), structures, improvements and other fixtures now or hereafter located or constructed on the Leased Premises.

"Tenant-Specific Default" means any Tenant Default that: (a) arises from any lien or encumbrance that attaches solely to the Leasehold Estate (not to the Fee Estate) but is junior to the Leasehold Mortgage; or (b) Leasehold Mortgagee or New Tenant cannot reasonably cure.

"Tenant's Notice" has the meaning given in Section 4.2 below.

"Term" has the meaning given in Section 2.3 below.

"Termination Option Loss" means a Loss that occurs during the last twelve (12) months of the Term of this Lease or would cost more than \$100,000.00 (beyond available Loss Proceeds) to restore.

"Total Loss" means any of the following, as determined by Tenant in its reasonable discretion, with Leasehold Mortgagee's prior written consent:

- (a) Any casualty after which, because of changes in law, Tenant cannot legally restore the Improvements to their previous size for use for its previous purpose;
- (b) A Taking that affects all or substantially all the Leased Premises; or
- (c) Partial Taking after which Tenant cannot reasonably restore the Remaining Leased Premises for use for its previous purpose.

ARTICLE 2 LEASE OF LEASED PREMISES; TERM; RENT

2.1 Lease of Leased Premises; Consideration. For and in consideration of the rents to be paid and covenants to be performed by Tenant under this Lease, Landlord agrees to lease the Leased Premises to Tenant, and Tenant agrees to lease the Leased Premises from Landlord, on the terms and subject to the conditions set forth in this Lease.

2.2 Condition of Leased Premises. The Leased Premises are leased to Tenant in an "As-Is, Where-Is" condition, without any representations or warranties from Landlord concerning the condition of the Leased Premises or its suitability for any of the uses contemplated or permitted under this Lease.

2.3 Term of Lease. The term of this Lease shall be for a period commencing on October 1, 2008 (the "Commencement Date"), and continuing for forty (40) years thereafter (the "Term"). If no Tenant Default has occurred and is occurring as of the time of the giving of the Renewal Notice (defined herein) and the Commencement Date of the Renewal Term (defined herein), Tenant shall have the right to extend the Term for two (2) additional Terms of ten (10) years (each such additional term, a "Renewal Term"), commencing on the day following the expiration of the Term or the Renewal Term (each, a "Commencement Date of the Renewal Term"). Tenant shall give Landlord written notice (the "Renewal Notice") of its election to extend the Term at least 180 days prior to the scheduled expiration of the Term. If Tenant exercises its rights to extend the Term for a Renewal Term pursuant to this Section, the term "Term" shall be construed to include, when practicable, each Renewal Term.

2.4 No Default. The notice of exercise of each such extension option shall not be effective unless given strictly within the time period set forth above, and unless on the date such notice is given and on the commencement date of each such extended term there is no Tenant Default (as herein defined) then existing on the part of Tenant.

2.5 Delivery of Possession. Possession of the Leased Premises and any Improvements thereon shall be delivered by Landlord to Tenant upon the Commencement Date.

2.6 Rent. From and after the Commencement Date through and including the last day of the Term of this Lease, Tenant agrees to pay to Landlord rent ("Rent"). For the period beginning on Commencement Date and ending on the third anniversary thereof, the Rent payable by Tenant shall be in the amount of One Hundred Thirty-Eight Thousand and 00/100 Dollars (\$138,000.00) per year. On each anniversary of the Commencement Date thereafter, the Rent payable by Tenant shall be increased by one percent (1%). The Rent shall be paid by Tenant to Landlord in equal monthly installments, on the first day of each month during the Term. All Rent required under this Lease shall be paid by Tenant to Landlord at its address as shown in Section 12.5 below, or any other place or places that Landlord may designate by written notice to Tenant.

2.7 Tenant-Owned Improvements. Tenant shall own fee title to all Tenant-Owned Improvements and personal property from time to time located on the Leased Premises during the Term.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES

3.1 Representations of Landlord. Landlord represents and warrants as follows:

(a) Landlord has fee simple title to the Leased Premises free of any liens or encumbrances other than those reflected in the title commitment and other title documents.

(b) Landlord has the power and authority to enter into this Lease, and to lease the Leased Premises to Tenant on the terms set forth in this Lease, and that the execution and delivery hereof and the performance by Landlord of its obligations hereunder will not violate or constitute an event of default under the terms of provisions of any agreement, document or instrument to which Landlord is a party or by which it is bound.

(c) All necessary actions and proceedings required to be taken by or on behalf of Landlord to authorize it to make, deliver and perform the terms of this Lease have been or will be duly and properly taken prior to the Commencement Date, and that this Lease is a valid and binding obligation of Landlord.

3.2 Representations of Tenant. Tenant represents and warrants as follows:

(a) Tenant has the power and authority to enter into this Lease, and to lease the Leased Premises from Landlord on the terms set forth in this Lease, and that the execution and delivery hereof and the performance by Tenant of its obligations hereunder will not violate or constitute an event of default under the terms of provisions of any agreement, document or instrument to which Tenant is a party or by which it is bound.

(b) All necessary actions and proceedings required to be taken by or on behalf of Tenant to authorize it to make, deliver and perform the terms of this Lease have been or will be duly and properly taken prior to the Commencement Date, and that this Lease is a valid and binding obligation of Tenant.

ARTICLE 4

RIGHT OF FIRST REFUSAL; OPTION TO PURCHASE

4.1 Right of First Refusal. If no Tenant Default has occurred and is continuing, in the event Landlord or Landlord's successor in interest intends to accept a bona fide offer for the sale of any portion of the Landlord Property (the "Proposed Offer"), Landlord shall first offer to Tenant the right to purchase the Landlord Property upon all terms and conditions of the Proposed Offer.

4.2 Option to Purchase. For the period beginning on the later of the Commencement Date or the date on which the closing of the transactions contemplated by the Purchase Agreement occurs, through and including the fourth anniversary thereof (the "Option Period"), if no Tenant Default has occurred and is continuing, Tenant shall have the right to purchase the Landlord Property at the fair market value of the Landlord Property (the "Fair Market Value"). The Fair Market Value shall be determined by an appraiser mutually agreed to by Landlord and Tenant. In the event Landlord and Tenant cannot agree on the selection of an appraiser, Landlord shall select one (1) appraiser, Tenant shall select one (1) appraiser and the two (2) appraisers shall select a third (3rd) appraiser. Each appraiser shall conduct an appraisal of the Landlord Property and the Fair Market Value shall be deemed to be an average of the three appraisals. The decision(s) of such appraiser(s) shall be conclusive on all parties. The fees and costs of such appraiser(s) shall be paid fifty percent (50%) by Landlord and fifty percent (50%) by Tenant, provided that the sale of the Landlord Property is consummated. In the event the sale of the Landlord Property is not consummated, Tenant shall be responsible for payment of all fees and costs of such appraiser(s).

4.3 Notice.

(a) Right of First Refusal. Notice of a Proposed Offer shall be made to Tenant in a written notice (the "Offer Notice"), which Offer Notice shall designate the portion of the Landlord Property to be sold and shall specify the terms for such Proposed Offer, including the name and address of the proposed purchaser. Tenant may accept the Offer Notice by delivering to Landlord an unconditional acceptance (the "Tenant's Notice") of such offer within ninety (90) days after receipt of the Offer Notice. Time shall be of the essence with respect to the giving of the Tenant's Notice. If Tenant does not accept (or fails to timely accept) an offer made by Landlord pursuant to the provisions of Sections 4.1 and this Section 4.3(a) with respect to the

Landlord Property designated in the Offer Notice, Landlord shall be under no further obligation with respect to such portion of the Landlord Property by reason of Section 4.1 unless Landlord does not close on the sale of such Landlord Property in accordance with the Proposed Offer. In order to send the Offer Notice, Landlord does not need to have negotiated a complete purchase contract with the proposed purchaser, but may merely have agreed upon the material economic terms for the proposed sale, and Tenant must make its decision with respect to the Proposed Offer as long as it has received a description of such material economic terms.

(b) Option to Purchase. Tenant shall provide written notice to Landlord of its intention to exercise the option. Tenant shall have ninety (90) days after the determination of the Fair Market Value to close on the sale of the Landlord Property. Time shall be of the essence with respect to exercising such option. If Tenant does not close on the purchase of the Landlord Property within ninety (90) days of the determination of the Fair Market Value, Tenant's option to purchase the Landlord Property at the determined Fair Market Value shall be deemed to have expired. If after such expiration, Tenant wishes to exercise its option at a later time during the Option Period, Tenant shall be required to follow the procedures set forth in Section 4.2 and this Section 4.3(b).

4.4 Special Warranty Deed. The Landlord Property, or any portion thereof, to be conveyed to Tenant pursuant to the terms of this Article 4, shall be conveyed by special warranty deed subject only to general real estate taxes for the year of the closing and zoning ordinances, restrictions, easements and other matters of record approved by and acceptable to Tenant.

ARTICLE 5 USE; MAINTENANCE; ALTERATIONS

5.1 Permitted Use. Subject to the restrictions contained in this Section 5.1, Tenant may use the Leased Premises for any lawful purpose, including, but not limited to, medical services and hospital and related uses. Tenant hereby acknowledges that Landlord financed the acquisition and development of the Leased Premises with proceeds from a tax-exempt bond issue (the "Bonds"). While Tenant is not assuming any liability with respect to repayment of the Bonds or any covenants with respect thereto, Tenant, as a nonprofit corporation, intends to use and operate the Leased Premises in a manner to avoid a deemed change of use of the Leased Premises for the purposes of the Bonds. To that end, from the Commencement Date until August 15, 2028 (the "Compliance Period"), except as otherwise specifically agreed to in writing by Landlord, Tenant will:

(a) Maintain its status as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended;

(b) Provide to Landlord written notice, which shall include the terms thereof, of any management and/or services contract to be performed by a for-profit entity on the Leased Premises; and

(c) Comply with the operating guidelines set forth in Revenue Procedure 97-13, including any revisions or amendments thereto, with respect to management and/or service contracts.

5.2 Compliance with Laws. Tenant shall comply in all material respects with all Governmental Requirements with respect to the Leased Premises.

5.3 Maintenance by Tenant. At all times during the Term of this Lease, Tenant shall, at its own cost and expense, keep and maintain the Leased Premises in good order and repair, reasonable wear and tear excepted, and in a safe and clean condition. Landlord shall have no responsibility for any maintenance or repair obligation with respect to the Leased Premises, it being specifically agreed that all responsibility for the same rests with Tenant (regardless of whether such repair is structural or non-structural, ordinary or extraordinary, foreseen or unforeseen, and furthermore regardless of whether or not the need for such maintenance or repairs occurs as a result of Tenant's use, any prior use, the elements or the age of the Leased Premises, casualty loss, or any other cause whatever). Tenant waives any claim or action against Landlord in respect of the condition of the Leased Premises.

5.4 Alterations. Tenant shall not make any material alterations to the Leased Premises without the consent of Landlord, whose consent shall not be unreasonably withheld. All construction, alteration or repair work undertaken by Tenant shall be accomplished in an expeditious and diligent fashion. Tenant shall take all reasonably necessary measures to minimize any damage, disruption or inconvenience caused by such work, and to make adequate provision for the safety and convenience of all Persons affected thereby. All alterations and improvements made to the Leased Premises shall be constructed in compliance with all applicable local, state and federal laws and regulations. Tenant shall have the sole responsibility for obtaining all necessary permits and shall make application for such permits directly to the Person having jurisdiction over such work.

5.5 Mechanic's Liens. Tenant shall keep the Leased Premises and the Tenant-Owned Improvements free and clear of all mechanics' liens and other liens on account of work done for Tenant or Person claiming under Tenant. Tenant agrees to and shall indemnify and save Landlord harmless against liability, loss, damages, costs, attorneys' fees, and all other expenses on account of claims of lien of laborers or materialmen or others for work performed or materials or supplies furnished to Tenant or Persons claiming under Tenant. In the event any lien is recorded and not released within sixty (60) days of recording, Tenant shall, upon demand, furnish a bond (or other security reasonably acceptable to Landlord), which bonds over the lien or results in the removal of such lien from the Leased Premises and/or the Tenant-Owned Improvements. Should any claim of lien be filed against the Leased Premises or the Tenant-Owned Improvements or any action affecting the title to such property be commenced, the party receiving notice of such lien or action shall promptly give the other party written notice of such claim or action.

5.6 Access to Adjoining Property. Tenant hereby acknowledges that, at all times during the Term, Landlord has retained the right of ingress, egress and access over the existing roadways on the Leased Premises to and from the Adjoining Property. Notwithstanding Landlord's access to the Adjoining Property, Landlord shall not be responsible for the maintenance of any roadways unless and until Landlord develops the Adjoining Property.

5.7 Development of Adjoining Property. Landlord hereby agrees that no portion of the Adjoining Property shall be developed for the period beginning on the Commencement Date through and including the fourth anniversary thereof, provided that Tenant shall deliver to Landlord substantially completed plans for development of the Adjoining Property by Tenant prior to the second anniversary of the Commencement Date (with such development to begin prior to the fourth anniversary of the Commencement Date). In the event Tenant does not deliver such plans to Landlord pursuant to this Section 5.7, Landlord shall be permitted to develop the Adjoining Property at any time after the second anniversary of the Commencement Date. During the Term, Landlord hereby agrees that it will not develop the Adjoining Property to be operated as an assisted living or skilled nursing facility or any activity that directly competes with Tenant's primary use of Leased Premises without Tenant's written consent. Upon the development of the Adjoining Property, the parties hereto agree to share in the

maintenance of roadways and other Site Improvements necessary to provide access to the Adjoining Property.

5.8 Subdivision of Landlord Property. Landlord shall have the right to subdivide all or any portion of the Landlord Property. Tenant will reasonably cooperate with Landlord with any such subdivision *provided* that such subdivision does not interfere with Tenant's use of the Leased Premises.

ARTICLE 6 TAXES AND UTILITIES

6.1 Payment of Taxes. Commencing on the Commencement Date through and including the last day of the Term of this Lease, Tenant shall pay, without abatement, deduction, or offset, all of the following (collectively, "Taxes"): real estate taxes, special assessments, and any other special taxes or charges of the State of Missouri or any other lawful taxing or assessing body which is authorized by law to be assessed against and levied upon real property. Taxes to be paid by Tenant shall include, without limitation, all ad valorem, sales and use, single business, transaction privilege, rent or similar taxes, fees (including, without limitation, license, permit, inspection, authorization and similar fees), and all other governmental charges, in each case whether general or special, ordinary or extraordinary, or foreseen or unforeseen, of every character in respect of the Leased Premises, the Improvements or the business conducted thereon by Tenant and/or the Rent (including all interest and penalties thereon due to any failure in payment by Tenant). Tenant will pay, or cause to be paid, all Taxes before each of the Taxes or installment of Taxes becomes delinquent, and before any fine, penalty, interest or cost may be added for non-payment (unless a tax is contested by Tenant in good faith pursuant to the requirements of Section 6.5 below). Tenant shall promptly, upon request, furnish to Landlord copies of official receipts or other satisfactory proof evidencing such payments.

6.2 Proration of First and Last Year Taxes. Notwithstanding the provisions of Section 6.1 above, all Taxes levied or assessed during the tax years in which the Commencement Date occurs and the Lease Term ends shall be prorated between Landlord and Tenant as of 12:01 a.m. Crystal City time on the Commencement Date, and on the date the Term ends, respectively.

6.3 Separate Assessment of Leased Premises and Tenant-Owned Improvements. Should the Leased Premises be assessed and taxed with or as part of other property owned by Landlord (including but not limited to the Adjoining Property), Landlord shall use its best efforts to arrange with the taxing authorities to have the Leased Premises taxed and assessed as a separate parcel distinct from any other real or personal property owned by Landlord. Should the Leased Premises be assessed and taxed with or as a part of any other property owned by Landlord in any tax year, the share of the Taxes for which Tenant is liable to pay under Section 6.1 (or Tenant's prorated portion of such Taxes under Section 6.2 above, as applicable) shall be reasonably allocated between the parties. Should the Leased Premises be assessed and taxed with or as a part of the Tenant-Owned Improvements, Tenant shall obtain an assessment of the value of the Tenant-Owned Improvements and the share of the Taxes for which Tenant is liable to pay under Section 6.1 (or Tenant's prorated portion of such Taxes under Section 6.2 above, as applicable) shall be reasonably allocated between the parties.

6.4 Taxes Payable in Installments. Should any of the Taxes be levied on or assessed against the Leased Premises or the Improvements that may be either (a) paid in full before a delinquency date within the Term of this Lease or (b) paid in installments over a period either within or extending beyond this Lease, Tenant shall have the option of paying the applicable Taxes in installments. The fact that the exercise of the option to pay the Taxes in installments will cause interest to accrue on the Taxes is immaterial and shall not interfere with the free exercise of such option by Tenant, *provided* that all such interest shall be the obligation of, and shall be paid by, Tenant. Should Tenant exercise the option to pay

any such Taxes in installments, Tenant shall be liable to pay only those installments attributable to any period within the Term of this Lease. Landlord shall cooperate with Tenant and on written request of Tenant execute or join with Tenant in executing any instruments required to permit any such Taxes to be paid in installments.

6.5 Contest of Tax. Tenant shall have the right to contest, oppose or object to the amount or validity of any of the Taxes levied on or assessed against the Leased Premises or the Improvements; provided, however, that (a) the contest, opposition or objection must be filed by Tenant before the applicable Taxes becomes delinquent, and (b) adequate reserves shall exist or be established by Tenant for the payment of such Taxes being contested. Landlord shall, on written request of Tenant, join in any such contest, opposition, or objection, if Tenant determines that joinder is necessary or convenient for the proper prosecution of the proceedings. Tenant shall be responsible for and shall pay all costs and expenses in any contest or legal proceeding instituted by Tenant, including Landlord's costs and expenses, if any. In no event shall Landlord be subjected to any liability for costs or expenses connected to any contest by Tenant, and Tenant agrees to indemnify, defend and hold Landlord harmless from any such costs and expenses.

6.6 Tax Returns and Statements. Tenant or its agents shall have the duty of attending to, preparing, making, and filing any statement, return, report or other instrument required by law in connection with the determination, equalization, reduction or payment of any Taxes levied on or assessed against the Leased Premises, the Improvements and the leasehold estate created by this Lease.

6.7 Utilities. Tenant shall pay or cause to be paid, and indemnify, defend and hold Landlord free and harmless from, all charges for the furnishing of water, gas, electricity, telephone service, cable television service, internet service and other public utilities to the Leased Premises and any Improvements during the Term of this Lease and for the removal of garbage and rubbish (including sewer and wastewater charges) from the Leased Premises during the Term of this Lease.

6.8 Payment by Landlord. Should Tenant fail to pay within the time specified in this Article any Taxes or other charges required to be paid by Tenant, Landlord may, upon thirty (30) days' written notice to Tenant, pay, discharge or adjust such Taxes or other charges for the benefit of Tenant. In that event, Tenant shall, promptly on written demand of Landlord, reimburse Landlord for the full amount paid by Landlord in paying, discharging or adjusting such Taxes or other charges, together with interest thereon at the then-maximum legal rate, from the date of payment by Landlord until the date of repayment by Tenant.

ARTICLE 7 INDEMNITY AND INSURANCE

7.1 Fire and Hazard Insurance.

(a) Generally. Tenant shall acquire and maintain during the Term of this Lease a policy or policies of insurance insuring the Leased Premises and any Improvements against loss or damage from fire, lightning and other hazards contained in the customary fire and extended coverage, vandalism, and malicious mischief endorsements, for the full insurable replacement cost of the Leased Premises and the Improvements. Such policy or policies shall be written in Tenant's name and shall include a provision that the proceeds thereof shall be payable to the Tenant (subject to subsection (c) below).

(b) Additions and Improvements. The full insurable replacement cost of the Leased Premises and Improvements shall be determined pursuant to subsection (c) below, and shall

include the replacement cost value of additions, betterments, alterations and improvements made in and to the Leased Premises and Improvements.

(c) Required Policy Provisions. All such policies of insurance shall (to the extent possible) (i) contain standard mortgage clause endorsements in favor of any Leasehold Mortgagees, (ii) contain an endorsement to the effect that such policy shall not be terminated for nonpayment of premiums without at least ten (10) days' prior written notice to Landlord, and (iii) contain a clause or endorsement whereby the insurer waives any right to be subrogated to any claim against the Tenant (and its officers, directors, employees and agents).

(d) Discharge of Insurance Company. Payment by an insurance company to Tenant or to a corporate trustee or agent of the proceeds of any policy, and the receipt of release from Tenant or such corporate trustee or agent of the company's liability under such policy, shall constitute a full discharge of such insurance company, and such company shall be under no obligation to inquire into the terms of any trust or agency agreement under which proceeds may be held pursuant hereto, or to take notice of any standard mortgage clause endorsement inconsistent with the provisions hereof, or see to the application of any payments of the proceeds of any policy by Tenant or the corporate trustee.

(e) Appraisal. The full, insurable replacement cost of the Leased Premises and Improvements shall be determined pursuant to an appraisal performed by a reputable appraisal company as selected by Tenant.

7.2 Public Liability and Property Damage Insurance. Tenant shall have the authority and duty to obtain, and shall acquire and maintain during the Term of this Lease, comprehensive public liability insurance in amounts deemed sufficient insuring Tenant and its officers, directors, shareholders, members, agents and employees against claims and liabilities arising in connection with the Leased Premises. The insurance shall cover claims of one or more insured parties against other insured parties. Such insurance shall contain a waiver of any rights to subrogation by the insuring company against any of the above-named insured Persons, if allowed by the insurer.

7.3 Workmen's Compensation and Other Insurance. Tenant shall acquire and maintain during the Term of this Lease workmen's compensation insurance as may be necessary to comply with applicable laws and such other insurance Tenant, in its reasonable judgment, shall elect to obtain.

7.4 Tenant's Indemnity. Tenant shall indemnify, defend and hold harmless Landlord and Landlord's directors, officers, shareholders (if any), members (if any), beneficiaries, employees, agents, attorneys, representatives, successors and assigns from and against any and all liability, claims, obligations, causes of action, penalties, loss, damages, costs or expenses resulting from Tenant's occupation or use of the Leased Premises and the Improvements (except for such action caused by Landlord's negligence or willful misconduct). Tenant's liability for a breach of the provisions of this Section arising during the Term hereof shall survive the expiration or earlier termination of this Lease. Tenant is not responsible for any claim arising out of events not caused by Tenant subsequent to expiration of the Term or early termination of this Lease.

7.5 Landlord's Indemnity. Landlord shall indemnify, defend and hold harmless Tenant and its directors, officers, shareholders, members, beneficiaries, employees, agents, attorneys, representatives, successors and assigns from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses resulting from the negligence or willful misconduct of Landlord. Landlord's liability for a breach of the provisions of this Section arising during the Term hereof shall survive the expiration or earlier termination of this Lease.

7.6 Loss Proceeds. Loss Proceeds from any insurance policy required pursuant to this Article 7 shall be paid and disbursed in accordance with the provisions of Article 8 below.

7.7 Notice. Tenant shall notify insured Persons (including Leasehold Mortgagees) concerning the cancellation of insurance obtained pursuant to the terms of this Article.

ARTICLE 8 LOSS AND USE OF PROCEEDS

8.1 Generally. If a Loss occurs: (a) the party that first becomes aware of the Loss shall notify the other; (b) the parties shall direct the insurance company covering the Loss to pay all Loss Proceeds to Leasehold Mortgagees, pursuant to the disbursement procedures set forth in Section 8.3 below; (c) Loss Proceeds shall be applied in accordance with Section 8.2 below until exhausted; and (d) each party's rights to receive Loss Proceeds shall be subject to the rights of its mortgagee(s).

8.2 Application of Loss Proceeds. Loss Proceeds disbursed pursuant to Section 8.3 below shall be applied as follows:

(a) First, if a Total Loss occurs, this Lease shall terminate and, except as otherwise provided, the parties shall have no further obligation to the other. Landlord shall receive Loss Proceeds equal to the Leased Fee Value measured as if the Total Loss had not occurred. If, after the Total Loss, any Remaining Leased Premises exist, then: (i) Landlord may require Tenant to use Loss Proceeds received by Tenant to remove from the Remaining Leased Premises all debris resulting from the Total Loss, fill in any substantial excavations on the Remaining Leased Premises, and return the Remaining Leased Premises to a level and vacant condition; (ii) Tenant shall receive and retain all Loss Proceeds specifically attributable to Tenant-Owned Improvements and Tenant's personal property, trade fixtures and for relocation; and (iii) Landlord shall then receive all remaining Loss Proceeds.

(b) Second, if a Termination Option Loss occurs, Tenant may (subject to the provisions of this Lease on Lease Impairments) terminate this Lease by notice to Landlord and, except as otherwise provided, the parties shall have no further obligation to the other. Upon such a termination, (i) Tenant shall receive and retain all Loss Proceeds specifically attributable to Tenant-Owned Improvements, Tenant's personal property, trade fixtures and for relocation purposes, and (ii) Landlord shall then receive all remaining Loss Proceeds.

(c) Third, in the event of a Taking of the Leased Premises, except a temporary condemnation or a Total Loss, (i) future Rent under this Lease shall decrease by the product of such future Rent (as it would have been determined but for the condemnation) times the percentage of the Leased Premises taken, by value; (ii) Landlord shall receive Loss Proceeds equal to the diminution in the Leased Fee Value resulting from the impact of such condemnation on the Rent and Landlord's reversion; and (iii) Tenant shall receive and retain all Loss Proceeds specifically attributable to Tenant-Owned Improvements, Tenant's personal property, trade fixtures and for relocation purposes.

(d) Fourth, if this Lease does not terminate because of a Loss, Tenant shall apply Loss Proceeds to restore the Improvements substantially as they existed before the Loss (subject to such changes as Landlord reasonably consents to), to the extent reasonably possible under the circumstances. Tenant shall receive any remaining Loss Proceeds.

8.3 Disbursement of Loss Proceeds. To the extent that this Lease requires Tenant to apply Loss Proceeds for a specified purpose, Loss Proceeds shall be:

(a) Disbursed from time to time under reasonable and customary disbursement procedures as Leasehold Mortgagee (or, absent any Leasehold Mortgagee, Landlord) reasonably requires; and

(b) Released to Tenant, to the extent remaining, only if and when Tenant has accomplished the purpose for which Loss Proceeds were to be applied.

ARTICLE 9 ASSIGNMENT, SUBLEASE

9.1 Assignment by Tenant. Tenant may, without Landlord's consent, at any time assign this Lease, *provided that* (a) Tenant or the assignee gives Landlord a copy of the assignment documents, and (b) except in the case of a collateral assignment to a Leasehold Mortgagee or an assignment through a Foreclosure Event, Tenant causes the assignee to deliver to Landlord an assumption of this Lease, and (c) such assignee shall not operate an acute care hospital or directly compete with the business of Landlord or Hospital.

9.2 Sublease. Tenant may, without Landlord's consent, sublease the Leased Premises in whole or in part, *provided that* such subtenant shall not operate an acute care hospital or directly compete with the business of Landlord or Hospital. If this Lease terminates, Landlord shall not disturb the possession, interest, or quiet enjoyment of any Subtenant not in default beyond applicable cure periods under its Sublease, *provided that*:

(a) Such Sublease does not demise all or substantially all the Leased Premises and was on commercially reasonable and fair market terms (including fixed sub-rent that cannot decline) when such Subtenant became legally bound and at least one Leasehold Mortgagee has granted such Subtenant nondisturbance protection, or

(b) Such Sublease demises the entire Leased Premises and is in all material respects at all times no less favorable to Landlord than this Lease.

9.3 Assignment by Landlord. Landlord may, without Tenant's consent, at any time assign this Lease. In the event Landlord intends to sell all or any part of the Leased Premises, Landlord shall notify Tenant of such intention not later than ten (10) days before such sale is consummated.

9.4 Foreclosure Event. Notwithstanding the provisions of Section 9.1 above, any Foreclosure Event shall not require the prior consent of Landlord.

9.5 Transfers to or by Business Entity. Notwithstanding the provisions of Section 9.1 above, Tenant may, without the prior consent of Landlord, assign this Lease to a new or different business entity now or hereafter organized (a "Pre-Approved Assignee") which either (a) is controlled by or is under common control with Tenant, or (b) which retains Tenant (or an entity controlled by or under common control with Tenant) to serve as a member manager or a managing general partner of such assignee, *provided that* such Pre-Approved Assignee shall not operate an acute care hospital or directly compete with the business of Landlord or Hospital.

ARTICLE 10 LEASEHOLD MORTGAGE

10.1 Leasehold Mortgages Generally. Without Landlord's consent, from to time, Tenant may grant Leasehold Mortgage(s), *provided* that any Tenant Default has been, or simultaneously is, cured, at the time such Leasehold Mortgage is granted. A Leasehold Mortgagee may initiate and complete any Foreclosure Event and exercise any other rights and remedies against Tenant under its Leasehold Mortgage.

10.2 Lease Impairments. Any Lease Impairment made without Leasehold Mortgagee's prior written consent shall be null, void, and of no force or effect, and shall not bind Leasehold Mortgagee or New Tenant.

10.3 Notice Rights. No notice that Landlord gives Tenant shall be effective unless Landlord has given a copy of it to Leasehold Mortgagee. If any Tenant Default occurs for which Landlord intends to exercise any remedies, Landlord shall promptly give Leasehold Mortgagee a Tenant Default Notice.

10.4 Opportunity To Cure. Landlord shall accept Leasehold Mortgagee's cure of any Tenant Default at any time until thirty (30) days after both: (a) Tenant and Leasehold Mortgagee have received the Tenant Default Notice; and (b) Tenant's cure period for the Tenant Default has expired. Notwithstanding the foregoing, however, if Leasehold Mortgagee (x) cannot reasonably cure the Tenant Default within the cure period provided pursuant to this Section, Leasehold Mortgagee shall have such further time as it shall reasonably need so long as it proceeds with reasonable diligence; and/or (y) cannot reasonably cure a Tenant Default without possession of the Leased Premises, or if a Tenant-Specific Default occurs, Leasehold Mortgagee shall have such additional time as it shall reasonably need to consummate a Foreclosure Event and obtain possession, *provided* Leasehold Mortgagee timely exercises its cure rights for all other Tenant Defaults. If Leasehold Mortgagee consummates a Foreclosure Event, Landlord shall waive all Tenant-Specific Defaults.

10.5 Cure Rights Implementation. Whenever Leasehold Mortgagee's rights to cure a Tenant Default or consummate a Foreclosure Event have not expired, Landlord shall do nothing to terminate this Lease or accrete any Rent or other charges due hereunder, or otherwise interfere with Tenant's or Leasehold Mortgagee's possession and quiet enjoyment of the Leasehold Estate. Leasehold Mortgagee may enter the Leased Premises to seek to cure a Tenant Default. This right or its exercise shall not be deemed to give Leasehold Mortgagee possession.

10.6 New Lease. If this Lease terminates for any reason (except with Leasehold Mortgagee's consent or because of a Total Loss), even if Leasehold Mortgagee failed to timely exercise its cure rights for a Tenant Default, Landlord shall promptly give Leasehold Mortgagee a Lease Termination Notice. Landlord shall enter into a New Lease with New Tenant, *provided* (a) Leasehold Mortgagee requests it, if at all, before the day that is ninety (90) days after Leasehold Mortgagee has received Landlord's Lease Termination Notice, and (b) Leasehold Mortgagee (or New Tenant) cures all remaining uncured Tenant Defaults (except Tenant-Specific Defaults) that are reasonably susceptible to cure (including payment of Rent due and owing). Any New Lease shall: (a) commence immediately after this Lease has terminated; (b) continue for the entire remaining term of this Lease, as it existed before termination, subject to any Preemptive Rights; (c) give New Tenant the same rights to the Improvements that Tenant had under this Lease; (d) have the same terms, including Preemptive Rights, and the same priority, as this Lease; and (e) Require New Tenant to cure, with reasonable diligence and continuity, and within a reasonable time, all Tenant Defaults (except Tenant-Specific Defaults) not previously cured or waived.

10.7 New Lease Implementation. If Leasehold Mortgagee timely requests a New Lease in conformity with this Lease, then from termination of this Lease until execution and delivery of a New Lease:

- (a) New Tenant shall be entitled to all net income of the Leased Premises;
- (b) Landlord shall not operate the Leased Premises in an unreasonable manner; and
- (c) Landlord shall not terminate any Sublease except for the Subtenant's default, or enter into any lease affecting any Leased Premises except with New Tenant. When the parties sign a New Lease, Landlord and New Tenant shall cooperate to transfer to New Tenant all Subleases (including any security deposits Landlord held), service contracts, and Leased Premises operations, and Landlord shall cause every Fee Mortgagee to subordinate unconditionally to the New Lease.

10.8 Exercise of Leasehold Rights by Leasehold Mortgagee. If Tenant's period to exercise any Preemptive Right expires, Landlord shall promptly notify Leasehold Mortgagee. Until thirty (30) days after Leasehold Mortgagee has received such notice, Leasehold Mortgagee may exercise such Preemptive Right for Tenant. Notwithstanding anything to the contrary in this Lease, so long as Leasehold Mortgagee's time to obtain a New Lease has not expired, Leasehold Mortgagee may exercise any or all of Tenant's rights (including Preemptive Rights) under this Lease, even if a Tenant Default exists. Tenant irrevocably assigns to Leasehold Mortgagee, (a) to the exclusion of Tenant and any other person, any right to exercise any Bankruptcy Termination Option; and (b) any right of Tenant to object to any sale of the Leased Premises or any interest in the Leased Premises under 11 U.S.C. §363 or otherwise in any bankruptcy or insolvency proceeding affecting Landlord.

10.9 Certain Proceedings. If Landlord or Tenant initiates any arbitration, litigation, or other dispute resolution proceeding affecting this Lease, then the parties shall simultaneously notify Leasehold Mortgagee of such proceedings. Leasehold Mortgagee may participate in such proceedings on Tenant's behalf, or exercise any or all of Tenant's rights in such proceedings. At Leasehold Mortgagee's option, all such actions of Leasehold Mortgagee shall be to the exclusion of Tenant. Any settlement shall not be effective without Leasehold Mortgagee's consent, unless Tenant simultaneously pays the settlement, the amount at issue does not exceed One Hundred Thousand Dollars (\$100,000.00), and the claimant has released (or does not assert) any claim against Leasehold Mortgagee.

10.10 No Merger. If this Lease and the Fee Estate are ever commonly held, they shall remain separate and distinct estates (and not merge) without Leasehold Mortgagee's and Fee Mortgagee's consent.

10.11 No Personal Liability. No Leasehold Mortgagee or New Tenant shall ever have any liability under this Lease beyond its interest in this Lease, even if it becomes Tenant or assumes this Lease. Any such liability shall:

- (a) Not extend to any Tenant Default that occurred before such Tenant took title to this Lease (or a New Lease), except any identified in a Tenant Default Notice (or Lease Termination Notice) previously delivered to Leasehold Mortgagee; and
- (b) Terminate if and when any such Tenant assigns (and the assignee assumes) or abandons this Lease (or a New Lease).

10.12 Multiple Leasehold Mortgagees. If at any time multiple Leasehold Mortgagees exist:

(a) Any consent by or notice to Leasehold Mortgagee refers to all Leasehold Mortgagees;

(b) Except with respect to subsection (a) of this Section, the most senior Leasehold Mortgagee may exercise all rights of Leasehold Mortgage(s), to the exclusion of junior Leasehold Mortgage(s);

(c) To the extent that the most senior Leasehold Mortgagee declines to do so, any one other Leasehold Mortgagee may exercise those rights, in order of priority; and

(d) If Leasehold Mortgagees do not agree on priorities, a written determination of priority issued by a title insurance company licensed in Missouri shall govern.

10.13 Further Assurances. Upon request from Tenant or any Leasehold Mortgagee (prospective or current), Landlord shall promptly and in writing, under documentation reasonably satisfactory to Landlord and the requesting party:

(a) Acknowledge any Subtenant's nondisturbance and recognition rights (provided Subtenant joins in such agreement);

(b) Agree directly with Leasehold Mortgagee that it may exercise against Landlord all of Leasehold Mortgagee's rights under this Lease;

(c) Provided that Tenant reimburses Landlord's reasonable attorneys' fees and expenses, amend this Lease in any way that any current or prospective Leasehold Mortgagee reasonably requests, provided such amendment does not adversely affect Landlord in any material respect or reduce any payment of Rent; and

(d) Certify that this Lease is in full force and effect, whether it is subject to any Lease Impairment, that to Landlord's knowledge no Tenant Default exists, the date through which Rent has been paid, and such other similar matters as may be reasonably requested, all subject to any then exceptions reasonably specified in such certificate.

10.14 Miscellaneous. Notwithstanding anything to the contrary in this Lease, Leasehold Mortgagee may:

(a) Refrain from curing any Tenant Default, or abandon the cure of any Tenant Default at any time;

(b) Withhold consent or approval for any reason or no reason, except where this Lease states otherwise; and

(c) Exercise its rights through an affiliate, assignee, designee, nominee, subsidiary, or other Person, acting in its own name or in Leasehold Mortgagee's name (and any Person acting under this clause shall automatically have the same protections, rights, and limitations of liability as Leasehold Mortgagee).

10.15 Fee Mortgages. Landlord may encumber its Fee Estate and/or its rights under this Ground Lease (including the Rents hereunder) without having to obtain the consent of Tenant. Every Fee Mortgage shall be, and shall state that it is, subject and subordinate to this Lease (and any New Lease). Any Leasehold Mortgage shall attach solely to Tenant's leasehold estate under this Lease. Any

Foreclosure Event shall: (a) impair no estate or right under any Fee Mortgage; and (b) Transfer only the Leasehold Estate. If, as of the date of this Lease, there exists any current Fee Mortgage, Landlord covenants and agrees to deliver concurrent with the execution of this Lease, a subordination, non-disturbance and attornment agreement ("SNDA") in a form reasonably satisfactory to Tenant, which SNDA provides, among other things, that Tenant's possession of the Leased Premises and Tenant's rights under the Lease will not be disturbed by a foreclosure (or a transfer in lieu of foreclosure) of the existing Fee Mortgage referred to in the SNDA so long as Tenant is not in default hereunder beyond all applicable cure periods.

ARTICLE 11 DEFAULT AND REMEDIES

11.1 Default by Tenant. Each of the following shall constitute a "*Tenant Default*" under this Lease:

(a) Tenant's failure to pay any installment of Rent or other sum when due pursuant to this Lease; *provided* that Landlord shall provide written notice to Tenant of its failure to pay Rent or such other sum due and owing, and Tenant shall have ten (10) days from receipt of such notice to cure such default;

(b) Tenant's failure to perform or observe any covenant, condition or agreement to be performed by Tenant under this Lease (other than a failure to pay rent or any other sum when due), within thirty (30) days after written notice from Landlord to Tenant specifying the nature of such default, or such longer period as is reasonably necessary to cure such default not to exceed 120 days from the date of the notice from Landlord;

(c) The appointment of a receiver to take possession of the Leased Premises or Improvements, or of Tenant's interest in, to, and under this Lease, the leasehold estate or of Tenant's operations on the Leased Premises for any reason, and such receiver is not dismissed within sixty (60) days of appointment;

(d) An assignment by Tenant for the benefit of creditors; or the voluntary filing by Tenant or the involuntary filing against Tenant of a petition, other court action, or suit under any law for the purpose of (i) adjudicating Tenant a bankrupt, (ii) extending time for payment, (iii) satisfaction of Tenant's liabilities, or (iv) reorganization, dissolution, or arrangement on account of, or to prevent, bankruptcy or insolvency; *provided, however*, that in the case of an involuntary proceeding, if all consequent orders, adjudications, custodies, and supervisions are dismissed, vacated, or otherwise permanently stayed or terminated within sixty (60) days after the filing or other initial event, then Tenant shall not be deemed to be in default under this Section;

(e) The subjection of any right or interest of Tenant to or under this Lease to attachment, execution, or other levy, or to seizure under legal process when the claim against Tenant is not released within ninety (90) days; and

(f) If any mechanic's or other similar liens or encumbrances shall at any time be filed against the Leased Premises which shall not be discharged of record within sixty (60) days after the date of filing of same (*provided, however*, that if Tenant in Tenant's discretion and in good faith determines that such lien should be contested, Tenant shall not be in default if Tenant furnishes such security as may be necessary and/or required to prevent any foreclosure proceedings against the Leased Premises during the pendency of such contest).

11.2 Remedies. In the event of a Tenant default under this Lease, after the expiration of any applicable notice and cure periods, Landlord may exercise any one or more of the following remedies:

(a) Bring an action to recover the following from Tenant:

(i) The worth at the time of award of the unpaid rent that had been earned at the time of termination of the Lease;

(ii) The worth at the time of award of the amount by which the unpaid rent that would have been earned after termination of the Lease until the time of award exceeds the amount of rental loss that Tenant proves could have been reasonably avoided;

(iii) The worth at the time of award of the amount by which the unpaid rent for the balance of the Term after the time of award exceeds the amount of rental loss that Tenant proves could be reasonably avoided;

(iv) Any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform Tenant's obligations under this Lease; or

(b) Bring an action, in addition to or in lieu of the action described in subparagraph (a) of this Section, to specifically enforce any other term or provisions of this Lease; or

(c) Bring any other action available to it at law or in equity.

11.3 Default by Landlord. Should Landlord fail to perform or observe any covenant, condition or agreement to be performed by Landlord under this Lease within thirty (30) days after written notice from Tenant to Landlord specifying the nature of such breach, or, if such failure cannot be cured within thirty (30) days thereafter, if curative action is not commenced within said thirty (30) day period and thereafter prosecuted to completion with due diligence, then, and in any such event, Landlord shall be in default under this Lease. In the event that Landlord is in default under this Lease, Tenant shall have all rights and remedies available at law or in equity.

11.4 Waiver of Breach. The waiver by Landlord of any breach by Tenant of any of the provisions of this Lease shall not constitute a continuing waiver or a waiver of any subsequent breach by Tenant of either the same or a different provision of this Lease.

11.5 Surrender of Leased Premises. On expiration or earlier termination of this Lease, Tenant shall surrender the Leased Premises and all Improvements and personal property located in or on the Leased Premises to Landlord in a good, safe, and clean condition, reasonable wear and tear excepted. At the expiration or earlier termination of this Lease, Tenant shall also execute, acknowledge and deliver to Landlord within thirty (30) days after written demand from Landlord to Tenant, any quitclaim deed or other document required to transfer title to the Improvements to Landlord and remove the cloud of this Lease from the real property subject to this Lease.

ARTICLE 12 MISCELLANEOUS

12.1 Quiet Enjoyment. So long as Tenant shall pay all Rent as the same becomes due and shall comply with all of the terms of this Lease and substantially perform its obligations hereunder,

Tenant shall peaceably and quietly have, hold and enjoy the full possession and use of the Leased Premises for the Term hereof, free of any claim or other action by Landlord or anyone claiming by, through or under Landlord, but subject to all liens and encumbrances of record as of the date hereof or hereafter provided for in this Lease or consented to by Tenant.

12.2 Real Estate Commissions. Landlord hereby agrees to indemnify and hold Tenant harmless from and against all claims, damages, expenses, liabilities, liens or judgments (including costs, expenses and attorneys' fees in defending the same) which arise on account of any claim that real estate commissions or finders' fees incurred by Landlord are payable and have not been discharged in their entirety. Tenant hereby agrees to indemnify and hold Landlord harmless from and against all claims, damages, expenses, liabilities, liens or judgments (including costs, expenses and attorneys' fees in defending the same) which arise on account of any claim that real estate commissions or finders' fees incurred by Tenant are payable and have not been discharged in their entirety.

12.3 Force Majeure. Except as otherwise expressly provided in this Lease, if the performance of any act required by this Lease to be performed by either Landlord or Tenant is prevented or delayed by reason of any act of God, strike, lockout, labor trouble, inability to secure materials, restrictive governmental laws or regulations or any other cause (except financial inability) not the fault of the party required to perform the act, the time for performance of the act will be extended for a period equivalent to the period of delay and performance of the act during the period of delay will be excused. However, nothing contained in this Section shall excuse the prompt payment of Rent by Tenant as required by this Lease or the performance of any act rendered difficult or impossible solely because of the financial condition of the party required to perform the act.

12.4 Attorneys' Fees. Should any action to enforce this Lease be commenced between the parties to this Lease concerning the Leased Premises, this Lease, or the rights and duties of either in relation thereto, the party prevailing in such action shall be entitled, in addition to any other relief that may be granted in the event of litigation, to reimbursement for its actual costs and expenses incurred by the such party, including its reasonable attorneys' fees.

12.5 Notices. All notices under this Agreement shall be effective upon (a) personal delivery to the President or Chief Executive Officer of Landlord or Tenant, as the case may be, or (b) one (1) business day after deposit with a reputable overnight courier service (e.g., Federal Express, DHL, Airborne Express), or (c) three (3) business days after deposit in the U.S. mail (registered or certified mail only), in each case with postage fully prepaid and addressed to the respective parties as follows:

To Landlord:

JMH Diversified Health Care
c/o The Jefferson Memorial Hospital Association
1400 US Highway 61 South
P.O. Box 350
Crystal City, Missouri 63019
Attention: Jim Muehlhauser, Chief Financial Officer

To Tenant:

Crystal Oaks Long Term Care
1509 Calvary Church Road
Festus, Missouri 63028
Attention: President

With a copy to:

Armstrong Teasdale LLP
One Metropolitan Square
Suite 2600
St. Louis, Missouri 63102
Attention: Steven Pozaric, Esq.

12.6 Binding on Heirs and Successors. This Lease shall be binding on and shall inure to the benefit of the permitted successors and assigns of the parties hereto.

12.7 Sole and Only Agreement. This instrument constitutes the sole and only agreement between Landlord and Tenant respecting the lease of the Leased Premises to Tenant, and correctly sets forth the obligations of Landlord and Tenant to each other as of the date hereof. Any agreements or representations respecting the lease of the Leased Premises to Tenant by Landlord, or any other matter discussed in this Lease not expressly set forth in this instrument, are null and void.

12.8 Approvals and Consents. Each party agrees (except as otherwise set forth herein), that in regard to any act, approval or consent required of it under the terms and conditions of this Lease, it shall not act or withhold such approval or consent unreasonably.

12.9 Memorandum of Lease for Recording. Concurrently with the execution of this Lease, Landlord and Tenant shall each execute and cause to be notarized, two (2) counterpart copies of a memorandum of this Lease ("Memorandum of Lease") in the form attached hereto as Exhibit C. The originally executed and notarized counterparts of the signed Memorandum of Lease shall be recorded in the Official Records of Jefferson County, Missouri immediately upon the Commencement Date.

12.10 Partial Invalidity. If any term, provision or covenant of this Lease is held invalid or unenforceable by a court of competent jurisdiction, the remainder of this Lease shall not be affected thereby, and each other term and provision of this Lease shall be valid and enforceable to the fullest extent permitted by law.

12.11 Governing Law. This Lease shall be governed by the laws of the State of Missouri.

12.12 Time of Essence. Time is expressly declared to be of the essence of this Lease.

12.13 Counterparts. This Lease may be executed in multiple counterparts, each of which shall be deemed to be an original and all of which together shall constitute one document.

[Signature pages to follow.]

IN WITNESS WHEREOF, the undersigned have executed this Ground Lease as of the date first above written.

"Landlord"

JMH DIVERSIFIED HEALTH CARE,
a Missouri nonprofit corporation

By: James L. Muehlhauser
James L. Muehlhauser
Chief Financial Officer

STATE OF MISSOURI

COUNTY OF JEFFERSON

)
) SS
)

On this 30th day of September, 2008, before me, a Notary Public in and for said state, personally appeared Mr. James L. Muehlhauser, who being by me duly sworn, did say that he is the Chief Financial Officer of JMH DIVERSIFIED HEALTH CARE, a Missouri nonprofit corporation, and that said instrument was signed on behalf of said corporation by authority of its Board of Directors; and said person acknowledged said instrument to be the free act and deed of said corporation.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal in the county and state aforesaid, the day and year last above written.

Renee Kilian
Notary Public in and for the State of Missouri

My Commission Expires: 10/24/08



Landlord's Signature Page to Ground Lease

"Tenant"

CRYSTAL OAKS LONG TERM CARE,
a Missouri nonprofit corporation

By: James Arnold
James Arnold
Chief Executive Officer

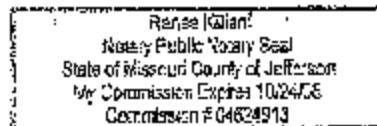
STATE OF MISSOURI)
) SS
COUNTY OF JEFFERSON)

On this 30th day of September, 2008, before me, a Notary Public in and for said state, personally appeared James Arnold, who being by me duly sworn, did say that he is the Chief Executive Officer of CRYSTAL OAKS LONG TERM CARE, a Missouri nonprofit corporation, and that said instrument was signed on behalf of said corporation by authority of its Board of Directors; and said person acknowledged said instrument to be the free act and deed of said corporation.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal in the county, and state aforesaid, the day and year last above written.

Renee Killian
Notary Public in and for the State of Missouri

My Commission Expires: 10/24/08



Tenant's Signature Page to Ground Lease

"Tenant"

CRYSTAL OAKS LONG TERM CARE,
a Missouri nonprofit corporation

By: James Arnold
James Arnold
Chief Executive Officer

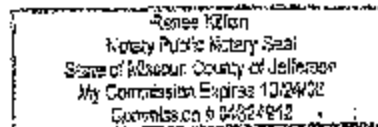
STATE OF MISSOURI)
COUNTY OF JEFFERSON) SS

On this 30th day of September, 2008, before me, a Notary Public in and for said state, personally appeared James Arnold, who being by me duly sworn, did say that he is the Chief Executive Officer of CRYSTAL OAKS LONG TERM CARE, a Missouri nonprofit corporation, and that said instrument was signed on behalf of said corporation by authority of its Board of Directors; and said person acknowledged said instrument to be the free act and deed of said corporation.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal in the county and state aforesaid, the day and year last above written.

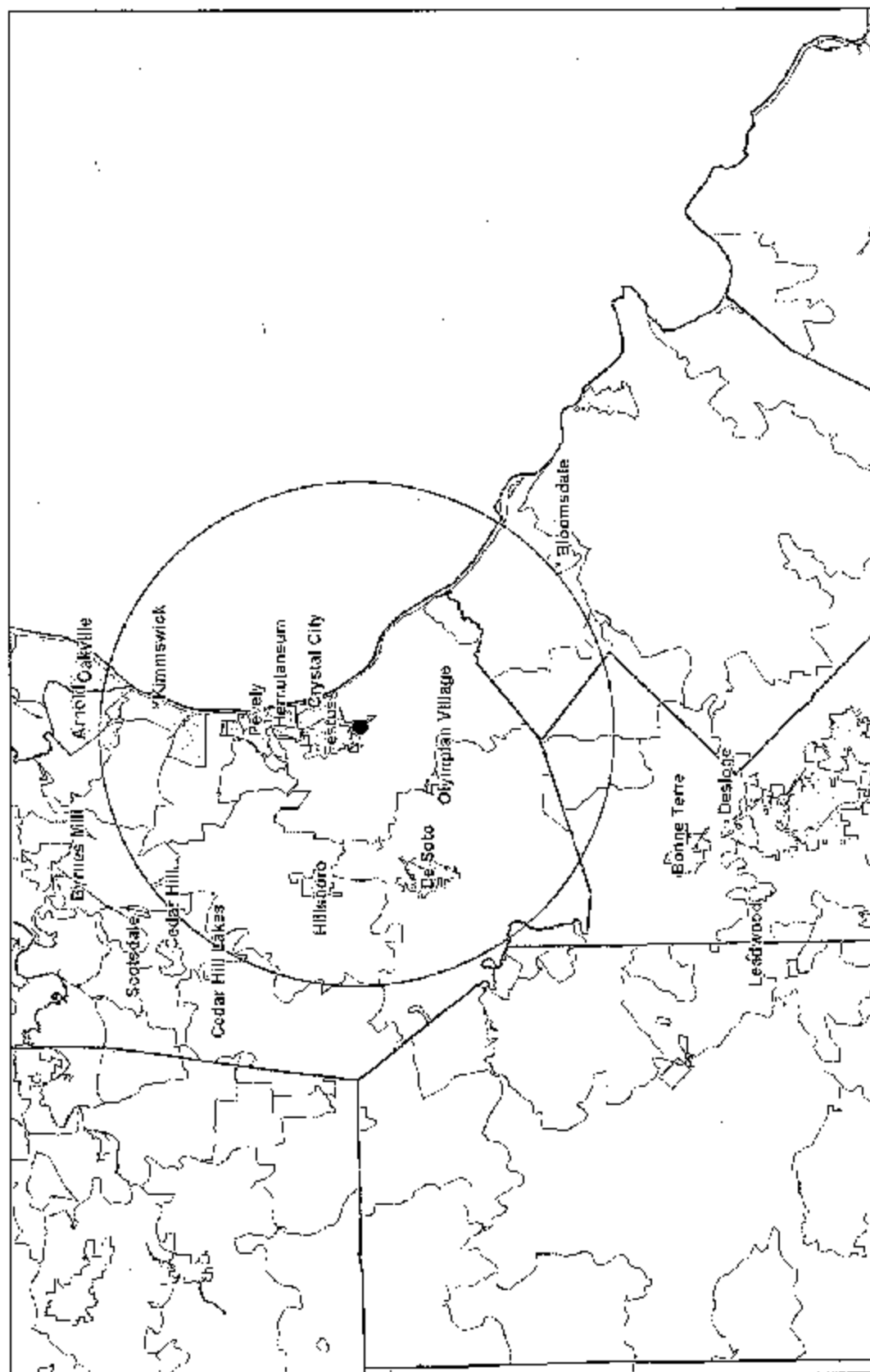
Renee Killian
Notary Public in and for the State of Missouri

My Commission Expires: 10/24/08



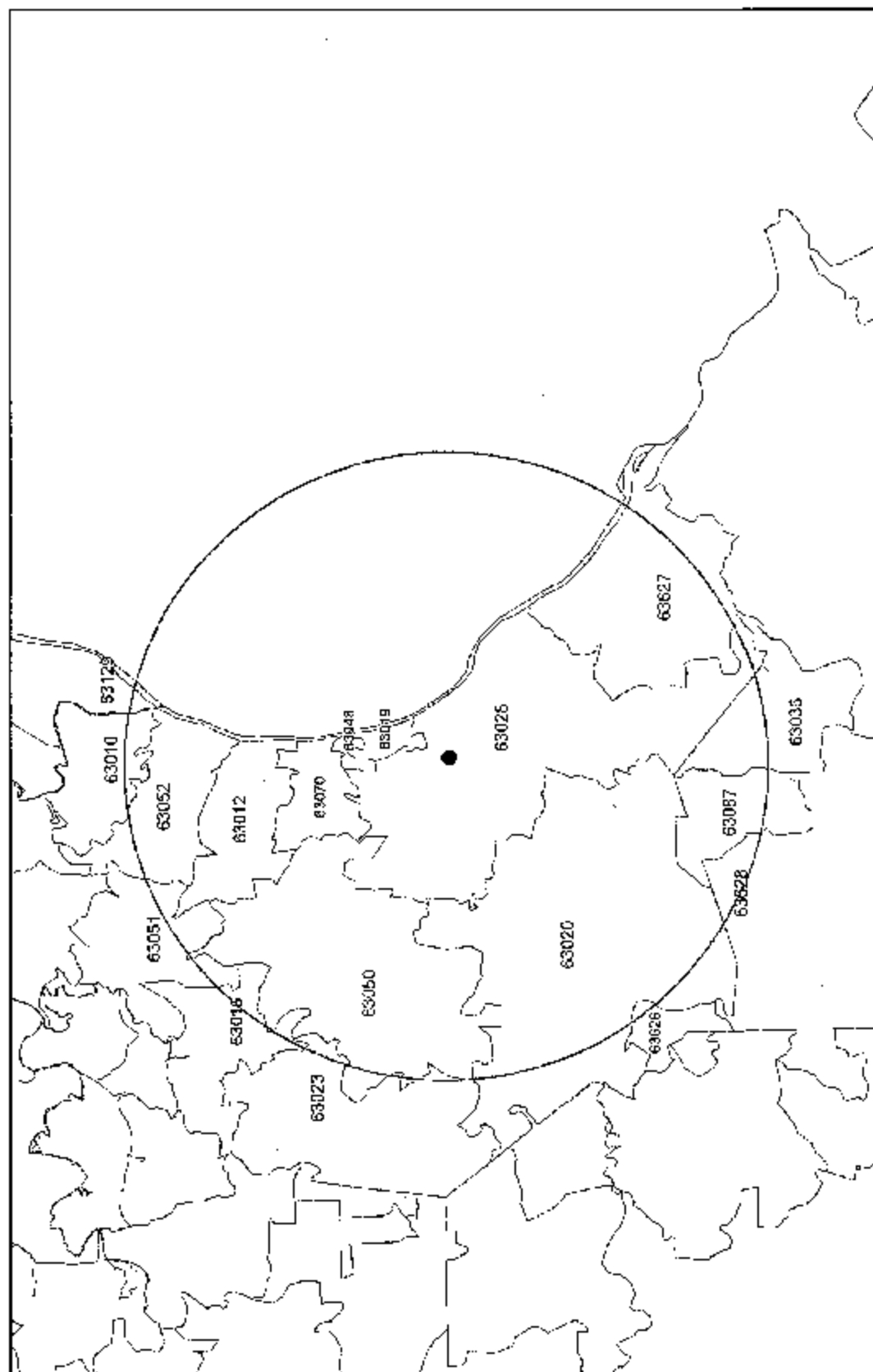
CON 15 Mile Radius (City Map)

Crystal Oaks Long term Care
1500 Calvary Church Road
Festus, Mo 63028



CON 15 Mile Radius

Crystal Oaks Long term Care
1500 Calvary Church Road
Festus, Mo 63028



ZIP	County	Tot. Pop	65+
63010	Jefferson	42,934	5,713
63012	Jefferson	11,306	957
63016	Jefferson	9,680	1,179
63019	Jefferson	4,040	955
63020	Jefferson	23,469	4,191
63023	Jefferson	6,103	749
63028	Jefferson	27,730	4,843
63048	Jefferson	2,851	917
63050	Jefferson	15,501	1,826
63051	Jefferson	16,029	1,552
63052	Jefferson	24,160	2,054
63070	Jefferson	6,463	871
63036	St. Francois	1,340	234
63087	St. Francois	1,239	117
63628	St. Francois	14,678	2,366
63626	Washington	173	28
63627	St. Genevieve	3,110	334
63129	St. LouisCo	52,838	6,804

ZIP	County	City	Tot. Pop	65+
63010	Jefferson	Arnold city	21,227	3,436
63052	Jefferson	Arnold city	See Above	See Above
63067	St. Francois	Bloomsdale city	436	78
63628	St. Francois	Bonne Terre city	8,665	1,430
63051	Jefferson	Byrnes Mill city	3,402	345
63016	Jefferson	Cedar Hill Lakes village	204	23
63023	Jefferson	Cedar Hill Lakes village	See Above	See Above
63019	Jefferson	Crystal City city	4,752	1,158
63028	Jefferson	Crystal City city	See Above	See Above
63020	Jefferson	De Soto city	6,615	1,498
63628	St. Francois	Desloge city	5,561	932
63019	Jefferson	Festus city	12,550	2,507
63028	Jefferson	Festus city	See Above	See Above
63019	Jefferson	Herculaneum city	4,177	1,080
63028	Jefferson	Herculaneum city	See Above	See Above
63048	Jefferson	Herculaneum city	See Above	See Above
63070	Jefferson	Herculaneum city	See Above	See Above
63050	Jefferson	Hillsboro city	2,315	276
63052	Jefferson	Kimmswick city	113	31
63628	St. Francois	Leadwood city	1,141	144
63020	Jefferson	Olympian Village city	690	71
63028	Jefferson	Olympian Village city	See Above	See Above
63012	Jefferson	Pevely city	7,279	923
63070	Jefferson	Pevely city	See Above	See Above
63016	Jefferson	Scotsdale town	208	20
63051	Jefferson	Scotsdale town	See Above	See Above

Zip code	radius	65+ total	Cities in zip	city pop	Pop w/o city pop	% in radius	zip pop w/o cities	city pop in radius	Total pop inside radius
63010	overlap	5713	Arnold	3436	2277	20%	455	20%	1142
63012	in	957							957
63016	overlap	1179	Cedar Hill Lakes, Scotsdale	23+20=43	1136	10%	114	0	114
63019	in	955							955
63020	overlap	4191	DeSoto; Olympian Village	1498+71=1569	2622	90%	2360	100%	3929
63023	overlap	749	Cedar Hill Lakes	23	726	10%	73	0	73
63028	in	4843							4843
63036	overlap	234				40%			94
63048	in	917							917
63050	in	1826							1826
63051	overlap	1552	Byrnes Mill; Scotsdale	345+20=365	1187	30%	356	0	356
63052	overlap	2054	Arnold; Kinmswick	Kinmswick:31	2023	80%	1618	100%	1649
				Arnold: listed on spreadsheet but not in zip code					
63070	in	871							871
63087	overlap	117	Bloomsdale	78	39	70%	27	0	27
63129	overlap	6804				10%	680		680
63626	overlap	28				10%	3		3
63627	overlap	334				80%	267		267
63628	overlap	2366	Bonne Terre	1430	936	10%	94	100	1524
			Desloge (listed on spreadsheet but not in zip code)					0	
			Leadwood (listed on spreadsheet but not in zip code)					0	
Total									20,227

Facilities Within 15 Miles of Project Site

County	Facility	Number of SNF Beds
Jefferson	Arbor Place of Festus	81
Jefferson	Crystal Oaks	99
Jefferson	Festus Manor	120
Jefferson	Fountainbleu Nursing Center	97
Jefferson	Scenic Nursing and Rehab	176
Jefferson	Baisch Nursing Center	61
Jefferson	Hillcrest Care Center	120
Jefferson	The Villas	51
Total		805

ST. LOUIS POST-DISPATCH

AFFIDAVIT OF PUBLICATION

LASHLEY & BAER, P.C.
714 LOCUST STREET
ST. LOUIS, MO 63101

AD # 1160622

THE ATTACHED ADVERTISEMENT WAS PUBLISHED
IN THE SUBURBAN JOURNALS
ON THE FOLLOWING DATE(S):

WEDNESDAY, SEPTEMBER 23, 2009

(31)

9000 Legal Notices

Jefferson Memorial Hospital Association and Crystal Oaks Long Term Care are seeking Certificate of Need Approval from the Missouri Health Facilities Review Committee for a 32-bed skilled nursing facility expansion at its facility at 1300 Calvary Church Road, Crestwood, MO 63024. Comments or questions about this matter should be addressed to Richard D. Wattage, Lashley & Baer, P.C., 714 Locust Street, St. Louis, MO 63101.

Oddie Lampe

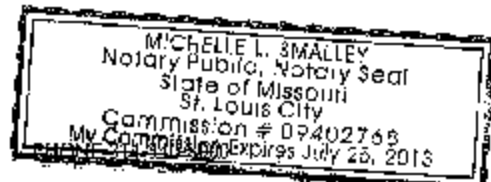
COMPANY REPRESENTATIVE

SWORN TO AND SUBSCRIBED BEFORE ME
THIS September 28, 2009.

Michelle L. Smalley
NOTARY PUBLIC, CITY OF ST. LOUIS

AFFIDAVIT CHARGES \$ 5.00 EACH

900 N. TUCKER BLVD., ST LOUIS MO 63101-1099



CAPITOL OFFICE:

STATE CAPITOL, ROOM 421
JEFFERSON CITY, MO 65101
TELEPHONE (573) 761-1492
FAX (573) 626-6860

DISTRICT OFFICE:

107 MISSISSIPPI AVE
CRYSTAL CITY, MO 63019



MISSOURI SENATE
JEFFERSON CITY
RYAN McKENNA
22ND DISTRICT

COMMITTEES:

ECONOMIC DEVELOPMENT, TOURISM
AND LOCAL GOVERNMENT

PENSIONS, VETERANS' AFFAIRS
AND GENERAL LAWS

TRANSPORTATION

WAYS AND MEANS

GUBERNATORIAL APPOINTMENTS

October 8, 2009

Mr. Tom Piper
Department of Health & Senior Services
3418 Knipp Drive, Suite F
Jefferson City, MO 65109

Dear Mr. Piper:

I am pleased to write this letter of support for Crystal Oaks Skilled Nursing and Assisted Living in their request for a Certificate of Need.

Crystal Oaks has always provided excellent health care services to the geriatric population of Jefferson County. They are proposing to add 32 skilled nursing beds to the existing facility dedicated to short term rehabilitation care. Plans are to build a state of the art rehabilitation area with 32 private rooms. Their 18 bed rehabilitation unit located within the current 99 bed facility is consistently full, forcing them to turn away Jefferson County residents requesting services.

The expansion will allow them to expand the Alzheimer's support unit by converting the current 18 bed rehabilitation unit into Alzheimer's support beds. The current 20 bed Alzheimer's support unit is also consistently full, forcing community residents to be placed on a waiting list for an open bed.

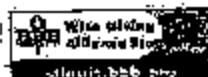
This expansion will allow Crystal Oaks to better service the community. Please look favorably on their request.

Sincerely,

Ryan McKenna

Ryan McKenna

State Senator, 22nd District



207 Hahnline
800.272.3900

www.alz.org

St. Louis Chapter
9370 Olive Boulevard
St. Louis, MO 63134

314.432.3422 p
314.432.3824 f
800.272.3900 t

Southeast Missouri
Resource Center
2411 Abbey Road
Cape Girardeau, MO 63701

Missouri
Resource Center
222 Beale Avenue
Columbia, MO 65204

alzheimer's association

Executive Committee

Chair
Jan Krasner
Vice Chair, Treasurer
T. Jack Challe
Morton Brown
Michael J. Hughes
Robert M. Venturini
Secretary
John J. Luksey, Jr.

Board of Directors

Richard Bernard
Amy E. Bollinger
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Cynthia Brown
Terry K. Brown
Frank J. Dellaquila
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Sandy Jaffe
Harry Kaminicki, M.D.
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Ther. Leonard
John Martin, M.D.
B. Douglas Murray
Mrs. Reuben M. Murray, III
Vickie Newman
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Advisory Council

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Peggy I. Lantz
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Van-Deur Black, III
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James E. Galvin, M.D., M.P.H.
James Gardner
George T. Gresham, M.D.
Dele F. Kinnier
Bob Leachy
Sandy Niles
Rudger O. Hines
Jan. Brakowski
Jean Schenck-Kotter
Mike Schwarz
Ellen Simmons
Ann M. Steffen, Ph.D.
Ellen C. Weiss

President

Joan D'Ambrose

October 13, 2009

Mr. Tom Piper
Department of Health and Senior Services
3418 Knipps Drive, Suite F
Jefferson City, MO 65109

The Alzheimer's Association wishes to express its support for your careful consideration of the current Certificate of Need for expansion proposed by Crystal Oaks Skilled Care and Assisted Living.

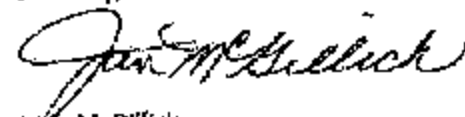
Crystal Oaks offers the only non-profit, five-star rated SNF in the fast growing Jefferson County area. We all know the demographic imperative caused by aging baby boomers. More state of the art rehabilitation and Alzheimer's Memory Care Support settings will be required to meet burgeoning need.

The staff at Crystal Oaks takes person-centered care seriously and does what it takes to ensure the quality of life for their residents, both those there for shorter stays or longer living and care arrangements.

Crystal Oaks has hosted one of our most successful and longest tenured support groups. They are great community partners and corporate citizens.

Please give their request for expansion every consideration.

Sincerely,



Janis McGillick
Education Director

cc: Michelle Rolfe
Joan D'Ambrose
Carroll Rodriguez
Zoe Dearing

MISSOURI HOUSE OF REPRESENTATIVES

CAPITOL OFFICE

State Capitol Room 116-4
201 West Capitol Avenue
Jefferson City, MO 65101-6806
Phone: 573-751-1311
Fax: 573-751-5409
E-Mail: tim.meadows@house.mo.gov



COMMITTEES

Crime Prevention
Public Safety
Special Standing Committee
Workforce Development &
Workforce Safety
Transportation

DISTRICT ADDRESS

1027 Canterbury Circle
Imperial, MO 63052
Phone: 636-461-1217

TIM MEADOWS

State Representative
101st District

October 7, 2009

Mr. Tom Piper
Department of Health & Senior Services
3418 Knipp Drive, Suite F
Jefferson City, MO 65109

Dear Mr. Piper:

I am writing this letter of recommendation for the Crystal Oaks Skilled Care and Assisted Living facility in Crystal City, Missouri. This facility was established in 1995 by Jefferson Regional Medical Center and is now operating as an independent not-for-profit sister corporation of JRMC.

At a time when more adult children are making difficult decisions concerning their parents who need constant care and where to put them, it is very important that they have facilities that can accept them. Crystal Oaks is constantly full and feel that if they can enlarge their facility they will be able to accept more residents that require their services. To older children having to put their parents on a waiting list is not a desirable situation. If Crystal Oaks were able to expand they could enlarge their Alzheimer's support unit and also to enlarge their short term rehabilitation care. Both are desperately needed at this time.

This facility is the only not-for-profit five star rated Skilled Nursing Facility in Jefferson County and they hope to better serve the community with this expansion.

Thank you for your consideration in Crystal Oaks receiving money for this expansion.

Respectfully,

A handwritten signature in cursive script that reads "Tim Meadows".

Tim Meadows
State Representative
101st District





Indu B. Patel, M.D., F.C.

DIPLOMATE OF AMERICAN BOARD
OF INTERNAL MEDICINE

P.O. Box 308 • Barnhart, MO 63012 • 314-464-7032

October 13, 2009

Tom Piper
Department of Health and Senior Services
3418 Knipp Drive, Suite F
Jefferson City MO 65109

Dear Mr. Piper:

I am writing this letter in full support of Crystal Oak's effort to expand their services by adding 32 beds to the skilled facility. I have had the privilege of working with Crystal Oak's since its inception in 1995 as Medical Director. Crystal Oak's has an excellent track record of providing quality skilled nursing services to Jefferson County.

I go to 3 other Skilled Nursing Facilities in the area to care for my patients. The care at Crystal Oaks is well beyond any other facility. I continually recommend Crystal Oaks to my patients requiring skilled nursing services.

However, many times it is difficult to get my patients admitted because there are no available beds, forcing my patients to be placed in another facility and on a waiting list for Crystal Oaks. This is more prevalent in the specialized areas of short-term rehabilitation and Alzheimer's support.

By allowing Crystal Oaks to expand their services dedicated to short-term rehabilitation and Alzheimer's support would be a great benefit to the community.

Thank you for your consideration.

Indu B. Patel, M.D.

IBP/jc

CAPITOL OFFICE

State Capitol
201 West Capitol Avenue
Jefferson City, MO 65101-6806
Tele: 573-751-3455
Fax: 573-522-9318

kevin.englcr@senate.mo.gov

Executive Assistant
Karen Jaquinn



DISTRICT ADDRESS

108 West Columbia
Farmington, MO 63640
Tele: 573-756-5572
Fax: 573-756-2520

Chief of Staff
Jarad Falk

Legislative Director
Mike Lodewegen

Majority Floor Leader
KEVIN ENGLER

Missouri Senator
3rd District

October 9, 2009

Mr. Tom Piper
Dept. of Health and Senior Services
3418 Knapp Drive, Suite F
Jefferson City, MO 65109

Dear Mr. Piper,

This letter is to lend my full support for expansion at **Crystal Oaks Skilled Care and Assisted Living**. They are a non-for-profit, five star rated Skilled Nursing facility in Jefferson County and have proven they can provide excellent care to the senior population in the area since 1995.

Crystal Oaks is proposing to add 32 Skilled Nursing beds dedicated to short term rehabilitation care. Currently they have 18 beds dedicated to this which are consistently full, forcing them to turn away people requesting their services. They also wish to expand their Alzheimer's unit by 18 beds. Again, the Alzheimer's unit is full and a waiting list has been formed.

I sincerely ask for your consideration of their CON application.

Sincerely,

Kevin Engler
Kevin Engler

Committees:

- Rules, Joint Rules, Resolutions and Ethics Committee - Chairman
- Administration Committee - Vice-Chairman
- gubernatorial Appointments - Vice-Chairman

October 12, 2009

Tom Piper
Department of Health and Senior Services
3418 Knipp Drive, Suite F
Jefferson City, MO 65109

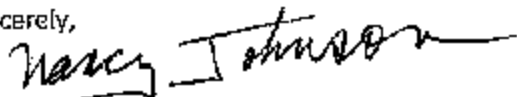
Dear Mr. Piper:

I am writing this letter in full support of Crystal Oak's efforts to expand their skilled nursing beds by 32. As an RN and active member in the local community I am aware of the need for expanded services that Crystal Oaks is proposing. Short term rehabilitation needs continue to grow with limited dedicated beds in the community for this service. With an expansion at Crystal Oaks this would also allow them to expand their Alzheimer's support beds as well. Again, there is a vital need in our community for quality dedicated Alzheimer's support beds.

As a current board member of Crystal Oaks, I am aware of the excellent services Crystal Oaks provides. There is a constant waiting list for Alzheimer's support beds at Crystal Oaks. Many are forced to place loved ones in a facility away from the local community until a bed opens up. The same is true for short term rehabilitation services; Crystal Oaks plans call for a dedicated unit to meet this need. There are Medicare beds available in the community but they are not designed for the sole purpose of short term rehabilitation. The proposed expansion will meet two very important and necessary needs in the Festus/Crystal City area.

Thank you for your consideration.

Sincerely,



Nancy Johnson, R.N.

Mr. Tom Piper
Mo. Dept. of Health and Senior Services
3418 Knipp Dr., Suite F
Jefferson City, MO 65109

October 19, 2009

Dear Mr. Piper:

Living and working in the Twin City area for more than 20 years, I knew Crystal Oaks Skilled Nursing and Assisted Living by reputation only. The facility was recognized in our community as a progressive project, with innovative ideas for residents, state-of-the art equipment, and a well-trained staff.

When it became time for my dad to move to a skilled nursing facility, I toured the assisted living and skilled nursing centers and found that all I had heard was true. I chose Crystal Oaks because of what I knew about it. My four sisters, who all live in St. Louis County, felt that Dad would be better served in a center there, so out-voted. Dad spent time in two different homes, first in west and then south St. Louis County. In a matter of weeks, at each location, my sisters found specific items they were not pleased with regarding Dad's care and the facilities. Dad, whose nickname was "Easy," never would have complained, but the girls were now willing to come to Crystal City to look at the place I had suggested. One by one, as they made their tours, they agreed that Crystal Oaks was best place for Dad to call home. After a brief time on the waiting list, I received a call that Dad could move in.

Crystal Oaks offers a commanding view from its ridge-top location. The exterior and the landscaping are meticulously maintained. Inside, the tile floors reflect a polished sheen and the familiar "nursing home aroma" is faint at its worst. Looks (and smells) are not everything. Beyond its maintenance is where Crystal Oaks truly shines. The housekeepers, aides, nurses, therapists, administrators, all loved Easy. For nearly two years they helped make his home. They kept me up-to-date on any changes or suggestions for his care plan. The whole family was invited to special events to spend with Dad and his friends, and never once did my sisters regret the decision for Dad to live at Crystal Oaks. The only issue we had was waiting for a spot to become available.

I heartily endorse plans for expansion to allow more opportunities for area residents to call Crystal Oaks home. I understand that the plan also includes nearly doubling the size of the Alzheimer's unit. Crystal Oaks was one of the first in our area to offer a specific, dedicated dementia care unit. By continually innovating, maintaining its facility inside and out, but most of all by focusing on their role as care givers, Crystal Oaks is true jewel in our community. I hope the department will approve the expansion request.

Sincerely,
John J. Winkehn

Tony Casey, Ph.D.
542 Liberty Street
Herculaneum, MO 63048

October 11, 2009

Tom Piper
Department of Health and Senior Services
3418 Knipp Drive, Suite F
Jefferson City, MO 65109

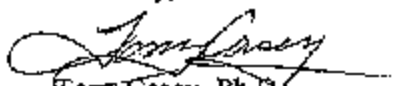
Dear Mr. Piper,

It is the purpose of this letter to request your support for the addition of 32 skilled nursing beds at Crystal Oaks Skilled Nursing and Assisted Living located in Crystal City, Missouri. The 32 Skilled Nursing beds will be dedicated to short term rehabilitation care. Crystal Oaks' current 18 bed rehabilitation unit is consistently full, forcing the facility to turn away Jefferson County residents requesting short term rehabilitation care. The existing beds do not allow the facility to address the increase need for rehabilitation services.

Jefferson County is fortunate to see an increased growth in population. Too, we have seen an expansion of quality medical services in our community. Jefferson Memorial Hospital, now known as Jefferson Regional Medical Center, has developed an array of specialized medical services reducing the need for Jefferson County residents to seek medical care in the St. Louis metropolitan area. The addition of 32 Skilled Nursing beds will allow Crystal Oaks to address the demand for increased rehabilitation services brought on by the population growth and expanded medical services in our community.

The addition of these beds will reduce the need for Jefferson county residents to leave the county to receive rehabilitation services in a timely and consumer-friendly manner.

Sincerely,


Tony Casey, Ph.D.

Mertens

Mr. Tom Piper
Department of Health and Senior Services
3418 Knipp Dr., Suite F,
Jefferson City, MO 65109

Dear Mr Piper,

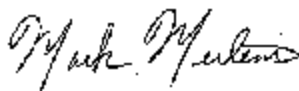
I am writing this letter in support of the 32 Skilled Nursing beds addition dedicated to short term rehabilitation care at Crystal Oaks Residential Care Center, in Crystal City, Missouri. It allows for the provision of excellent rehab healthcare in a state of the art facility. The current facility is often full resulting in the turning away of those in need of such services.

I am told that this will also allow Crystal Oaks to expand its current Alzheimer's unit to provide more services as it is always full and unable to provide care to any additional community residents.

I do believe this will improve the healthcare services of our community and therefore request your approval of CON application for Crystal Oaks' expansion.

Please feel free to contact me if you have any questions or would like additional information.

Sincerely,



Mark A. Mertens
Former Presiding Commissioner
Jefferson County, Missouri
Home: 636-464-6207
Cell: 636-212-1092



JEFFERSON REGIONAL MEDICAL CENTER

Jefferson Health System

October 27, 2009

Mr. Tom Piper
Department of Health and Senior Services
3418 Knipp Drive, Suite F
Jefferson City, MO 65109

Dear Mr. Piper:

Crystal Oaks, located in Crystal City, is proposing to add 32 skilled nursing beds to the existing facility. These new beds will be dedicated to short-term rehabilitation care and will allow Crystal Oaks to also expand the Alzheimer's support unit. Both of these services are critical to the community served by Crystal Oaks. As the only five-star rated, not-for-profit skilled nursing facility in Jefferson County, this expansion will allow Crystal Oaks to better serve the residents of the local community.

I fully support this expansion project and as a member of the Board of Directors of Crystal Oaks, see the positive impact from the excellent services provided to community residents.

Sincerely,

James L. Muehlhauser
Chief Financial Officer

JLM/tz

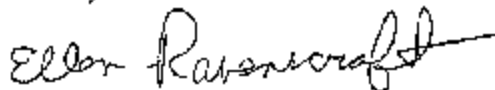
October 14, 2009

Mr. Tom Piper
Department of Health and Senior Services
3418 Knipp Drive
Jefferson City, Missouri

Dear Mr. Piper,

Crystal Oaks Skilled Nursing Facility has applied for a Certificate of Need to expand their facility with 32 private rooms. This is a very much needed expansion. This will enable the expansion of the Alzheimer Unit which is full at all times.

Thank you.



October 14, 2009

Mr. Tom Piper
Department of Health and Senior Services
3418 Knipp Drive
Jefferson City, Missouri

Dear Mr. Piper,

Crystal Oaks Skilled Nursing Facility is looking at an addition to their facility. This area is in need of a facility with private rooms. In today's health care, private rooms are very necessary.

Thank you for your support in this effort.

Sincerely,

A handwritten signature in cursive script, appearing to read "David D. Quisenberry".



Ph: 636-475-5600
866-880-5800
fax: 314-754-8142

2542 Sunrise • PO Box 218 • Danhart, MO 63012

rick@rickvest.com

October 26, 2009

Tom Piper
Department of Health and Senior Services
3418 Knipp Drive, Suite F
Jefferson City, MO 65109

Dear Mr. Piper:

I am writing to you on behalf of Crystal Oaks Facility located in Crystal City, Missouri. The facility is looking to increase their skilled nursing beds by a total 32. This increase will allow them to dedicate themselves to the growing need for Alzheimer's support beds and short term rehabilitation. With this increase, families will be able to keep their loved ones close to home and their community.

Over the past several years, Jefferson County has shown much growth in population and with this growth the growing need for a facility of this kind becomes apparent. With this 32 bed increase, Crystal Oaks will be better able to serve the community of the Festus/Crystal City area, as well as Jefferson County.

I appreciate your time in considering this increase for our community.

Sincerely yours,

Richard S. Vest, CLU, ChFC

CEA

*Securities and Advisory Services offered through
Royal Alliance Associates, Inc., Member NASD, SIPC.*

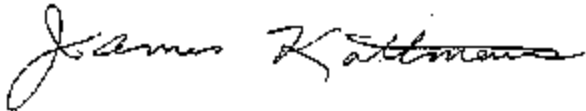
October 14, 2009

Mr. Tom Piper
Department of Health and Senior Services
3418 Knipp Drive
Jefferson City, Missouri

Dear Mr. Piper,

I am writing in support of the 32 private room addition to the Crystal Oaks Skilled Nursing facility. This would be a great addition to health care in this area.

Thank you,

A handwritten signature in cursive script, appearing to read "James Kattman".

October 14, 2009

Mr. Tom Piper
Department of Health and Senior Services
3418 Knipp Drive
Jefferson City, Missouri

Dear Mr. Piper,

I am writing you to show support for **the expansion of the proposed 32 skilled nursing beds for the existing Crystal Oaks Skilled Care facility.** It is my understanding these rooms will be private rooms which will be a major improvement for the only five-star skilled nursing facility in Jefferson County.

This addition is greatly needed in this area.

Sincerely,

A handwritten signature in dark ink, appearing to read "Ronald J. Rasmussen". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

DIVIDER III: Service Specific Criteria and Standards

- 2. For ICF/SNF beds, address the population-based bed need methodology of fifty-three (53) beds per one thousand (1,000) population age sixty-five (65) and older.**

The Bed Need methodology is stated by the formula:

Unmet need = $(R \times P) - U$ where

P = Year 2015 65+ population in 15 mile radius

U = Number of existing/approved SNF beds in the Service Area

R = .053

The 2015 65+ population in the 15 mile radius as identified in Divider II, Section 9 is 20,227. The number of existing/approved SNF beds in the 15 mile radius, as shown on the attached facilities list, is 805.

Applying the formula results in:

Unmet need = $(.053 \times 20,227) - 805$

Unmet need = **267 beds**

- 2. For RCF/ALF beds, address the population-based bed need methodology of twenty-five (25) beds per one thousand (1,000) population age sixty-five (65) and older.**

Not applicable.

- 2. Document any alternate need methodology used to determine the need for additional beds such as LTCH, Alzheimer's, mental health or other specialty beds.**

Not applicable.

- 2. For any proposed facility which is designed and operated exclusively for persons with acquired human immunodeficiency syndrome (AIDS) provide information to justify the need for the type of beds being proposed.**

Not applicable.

DIVIDER IV: Financial Feasibility Review Criteria & Standards

1. **Document that the proposed costs per square foot are reasonable when compared to the latest "RS Means Construction Cost Data."**

The RS Means median construction costs for nursing homes in the St. Louis area are \$146.12 per square foot. Applicant's proposed costs, of \$132 per square foot for new construction and \$65 per square foot for renovation costs, are below the median.

2. **Document that sufficient financing is available by providing a letter from a financial institution or an auditors statement indicating that sufficient funds are available.**

Please see attached letter from Joseph P. Mulligan, Managing Director of Cain Brothers Investment Bankers and Capital Advisors.

3. **Provide Service-Specific Revenues and Expenses (Form MO 580-1865) projected through three (3) years beyond project completion.**

Please see attached. The average charge was calculated by dividing gross revenue by the number of patient days. Overhead expenses include rent, utilities, and taxes.

4. **Document how patient charges were derived.**

Private-pay charges were based on current charges, plus an inflationary factor to project charges in future years. Medicaid charges were based on current reimbursement rates, with annual increases projected based on historical trends. Medicare charges were based on the current Resource Utilization Group (RUG) rates, with future rates remaining constant.

5. **Document responsiveness to the needs of the medically indigent.**

Applicant accepts both Medicare and Medicaid patients. Approximately one-third of Applicant's residents are Medicaid patients.

CAIN BROTHERS

INVESTMENT BANKERS AND CAPITAL ADVISORS

1600 One Penn Road
Suite 150
St. Louis, MO 63131
Tel: 314-686-4500
Fax: 314-686-4000

October 13, 2009

Mr. Jim Arnold
Chief Executive Officer
Crystal Oaks
1500 Calvary Church Rd.
Festus, MO 63028

Dear Jim:

I am writing today to provide you with our assessment of the financing viability of your contemplated expansion and renovation. As you are aware, Crystal Oaks engaged us to serve as your development advisor and investment banker in January 2009. Through the course of our engagement over the past nine months, we have completed a number of different analyses that have given us (and your Board) considerable comfort that your project will be viable and capable of attracting cost-effective funding. The scope of our work has included, among other things:

- An analysis of the market area, including each of the local competitors, a summary of census and demographic trends, the housing market and other key economic considerations;
- An analysis of management's cash flow projections, with comparisons to industry benchmarks from peer facilities in Missouri and around the nation;
- Assistance in the process of selecting the architect and reviewing all of their initial plans and drawings; and
- An analysis of all potential financing options available for the project, including the costs, covenants and availability of each of the options.

After completing all of the analyses above and discussing them with management and the Board of Crystal Oaks during various meetings, we are confident that your project will be successfully funded via any number of different methods. The structure currently being pursued as the "base case" approach is an FHA loan through your mortgage banker (Gershman). Should you elect to consider an alternative path for any number of reasons, there are at least three other alternatives available to you that we have executed within the past six months for other clients.

By way of background, Cain Brothers is a specialized investment bank established nearly 30 years ago that is focused on the senior living and health care industries. We have more than 50 investment bankers throughout nine offices across the country, including an office in Saint Louis. Collectively, our bankers have completed more than \$6 billion of non-profit senior living financings similar to Crystal Oaks. You can find additional information by visiting our website at www.cainbrothers.com.

We have enjoyed the opportunity to serve Crystal Oaks and look forward to the successful completion of your project. Should you have any questions about the project or our ability to deliver the requisite funding, I can be reached at 314.800.0441. Thank you and I look forward to talking with you soon.

Warmest regards,



Joseph P. Mulligan
Managing Director

www.cainbrothers.com



Certificate of Need Program

SERVICE-SPECIFIC REVENUES AND EXPENSES

Historical Financial Data for Latest Three Years plus Projections Through Three Years Beyond Project Completion

(Use an individual form for each affected service with a sufficient number of copies of this form to cover entire period, and fill in the years in the appropriate blanks.)

	Year		
	2011	2012	2013
Amount of Utilization:*	118	129	142
Revenue:			
Average Charge**	\$25,845	\$27,137	\$28,494
Gross Revenue	\$3,049,710	\$3,500,673	\$4,046,148
Revenue Deductions	1,603,710	1,878,673	2,226,148
Operating Revenue	1,446,000	1,622,000	1,820,000
Other Revenue	0	0	0
TOTAL REVENUE	\$1,446,000	\$1,622,000	\$1,820,000
Expenses:			
Direct Expense			
Salaries	246,000	259,000	272,000
Fees	0	0	0
Supplies	470,000	540,000	621,000
Other	15,000	117,000	119,000
TOTAL DIRECT	\$731,000	\$916,000	\$1,012,000
Indirect Expense			
Depreciation	212,000	212,000	212,000
Interest***	0	0	0
Overhead****	91,000	105,000	121,000
TOTAL INDIRECT	\$303,000	\$317,000	\$333,000
TOTAL EXPENSE	\$1,034,000	\$1,233,000	\$1,345,000
NET INCOME (LOSS):	\$412,000	\$389,000	\$475,000

* Utilization will be measured in "patient days" for licensed beds, "procedures" for equipment, or other appropriate units of measure specific to the service affected.

** Indicate how the average charge/procedure was calculated.

*** Only on long term debt, not construction.

**** Indicate how overhead was calculated.